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ABSTRACT

Proceedings are presented of hearings before the Subcommittee on Oversight of the Committee on Ways and Means in the House of Representatives. The purpose of the hearings was to review the Social Security student benefit program to determine whether the program is still necessary. Testimony was received from the General Accounting Office, which had completed an extensive review of the program and its beneficiaries. Also testifying were representatives of the Department of Health, Education and Welfare, which administers the Social Security student program as well as the basic educational grants program; the American Council on Education, which represents postsecondary institutions; and the Chamber of Commerce of the United States. (LRA)

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REVIEW OF SOCIAL SECURITY STUDENT BENEFIT PROGRAM

HEARING

BEFORE THE

SUBCOMMITTEE ON OVERSIGHT

OF THE

COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES

NINETY-SIXTH CONGRESS

FIRST SESSION

FEBRUARY 8, 1979

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REVIEW OF SOCIAL SECURITY STUDENT BENEFIT PROGRAM

THURSDAY, FEBRUARY 8, 1979

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON OVERSIGHT,
COMMITTEE ON WAYS AND MEANS,
Washington, D.C.

The subcommittee met at 9 a.m., pursuant to notice, in room 1100, Longworth House Office Building, Hon. Sam M. Gibbons (chairman of the subcommittee) presiding.

[The press release announcing the hearing follows:]

[Press release of Jan. 31, 1979]

WAYS AND MEANS OVERSIGHT SUBCOMMITTEE TO REVIEW SOCIAL SECURITY STUDENT BENEFIT PROGRAM

The Ways and Means Subcommittee on Oversight will review the Social Security student benefit program to determine whether the program is still necessary, Chairman Sam M. Gibbons (D-Fla.) announced today.

The hearing will be held Thursday, February 8, at 9 a.m. in Room 2203, Rayburn House Office Building.

"This program now costs more than $1 billion a year," said Chairman Gibbons, "and we need o determine whether it has outlived its usefulness in light of new and expanded Federal aid programs providing student education assistance."

Benefits under the Social Security program are paid to unmarried students, 18 to 21 years old, who are children of covered retired, disabled or deceased workers. Non-students in this age group, or married students, are not eligible for such payments

The hearing will begin with testimony from the General Accounting Office which has done an extensive review of the program and its beneficiaries. Among other things the GAO found that thousands of students are receiving benefits in excess of their total college costs and, in many cases, are receiving payments from two or even three different federal student assistance programs.

Also testifying will be representatives of the Department of Health, Education and Welfare, which administers the Social Security student program as well as the basic educational grants program, the American Council on Education, which represents post-secondary institutions, and the Chamber of Commerce of the United States.

"I believe we should encourage our young people to attend college," said Chairman Gibbons. "But I am not convinced that the Social Security student benefit program is fair, effective, and a necessary use of Trust Fund moneys."

The GAO study also found that eliminating the program and expanding other aid programs would save the governmen approximately $800 million annually on a net basis with larger savings accruing to the Trust Fund.

Mr. GIBBONS. Good morning, ladies and gentlemen. The meeting of the Ways and Means Committee Subcommittee on Oversight will come to order.

I will make an opening statement and Mr. Pickle has an opening statement he would like to make and, Mr. Gradison, if you have one you would like to make, we will take all of those and then we will go to the first witness.

The social security program is undoubtedly the greatest and most wide-ranging social program Congress has ever enacted. It has provided basic benefits for millions of Americans who otherwise would have become dependent on welfare or charity. The social security program has been steadily expanded over the past four decades. We have become increasingly generous with benefits and the program has increasingly moved away from its original goal of providing basic retirement income security.

Now the anemic condition of the Social Security Trust Funds warns us that it is time to pay the piper. It is time to reassess the purpose of the social security system and to set a course for the future that will meet critical needs within affordable costs. A first step is to review the entire social security system to identify the programs that are most needed and prune away those that deliver small marginal benefits at a very large cost or those that depart too dramatically from the basic purpose of the system. Today we will examine one such program—the social security student benefit program.

Under the student program unmarried individuals who are full-time students may receive benefits if they are a dependent of a retired or disabled beneficiary or the survivor of a parent covered by social security. This program was enacted in 1965. Since then its cost has escalated to $1.5 billion annually.

During this same period the Government—and when I say "the Government," I mean our Government—has initiated other grant and loan programs for students. Thousands of students receive aid from several Federal programs. Some actually make a profit on this arrangement—receiving assistance in excess of their total college costs. At the same time the balance in the Social Security Trust Fund has dwindled to the danger point and Congress has had to enact large increases in the payroll tax to meet the future costs. So it is appropriate today to ask whether we still need the social security student program, whether we can afford it, what alternatives there are, and how beneficiaries will be affected under various changes that have been proposed.

The first witness will be a representative of the General Accounting Office which has been of great assistance to the subcommittee in pulling together a wealth of data on program beneficiaries, the history of the program, and its prognosis for the future. They will be followed by a representative of the Social Security Administration and a spokesman for the Office of Education, which administers six major educational grant and loan programs for students.

We will also have testimony from the American Council on Education, representing the views of a variety of groups with an interest in postsecondary education, from the U.S. Chamber of Commerce, which has had a continuing interest in reforming the social security program and from the United States Student Association.

It is our hope that this hearing will provide a beginning point and an overview for the coming debate over the administration's proposals for the social security student benefit program.

Mr. Gradison, the ranking minority member of the committee, you are recognized if you have a statement.

Mr. GRADISON. Mr. Chairman, I just would like to join you in your excellent opening statement. This, I think, is a most appropriate subject for oversight and review. It is inconceivable that the Congress, in enacting these separate programs which, as it turns out, provide duplicated benefits, adequately took into account what we now find in the actual working of these programs. Therefore, I am convinced that out of these hearings and subsequent reviews we will be able to come up with some very useful suggestions for revision of the basic programs themselves

Mr. GIBBONS. Mr. Gradison, I think you put your finger on a real interesting point. In 1965, when the social security student benefit program was enacted, I was a member of the Education and Labor Committee's Subcommittee on Higher Education and Student Assistance. We were never informed by our staff nor by anyone else that this program had come into existence and we heaped on top of it a great many other student assistance programs. I am the author of some of those.

I feel very friendly toward the need of a student to receive assistance if that student comes from a family that needs help to pay school costs. But apparently the Congress has gone too far. What we are now doing is reassessing what we have done in the past to see if we can improve on it, to see if we can get more education for the same dollar or for less dollars and to try to help those that are actually in need.

Our first witness this morning is Mr. Gregory J. Ahart, Director of Human Resources Division of the General Accounting Office.

We welcome you back to this committee. Let me express my appreciation for the fine work that you and your staff of people do.

You may proceed as you wish. When you get to the discussion of charts, I think you have a list of the charts that we think would be most relevant to our discussion here today. I believe the staff has put the list on your table. There are some 10 or 11 charts that they think would be most relevant.

STATEMENT OF GREGORY J. AHART, DIRECTOR, HUMAN RESOURCES DIVISION, GENERAL ACCOUNTING OFFICE, ACCOMPANIED BY MICHAEL ZIMMERMAN, ASSISTANT DIRECTOR; JOSEPH KREDATUS, SUPERVISORY AUDITOR; AND GUSTAVE JOHANSON, AUDIT MANAGER

Mr. AHART. First of all, I would like to introduce my associates, Mr. Chairman. On my immediate right is Michael Zimmerman, Assistant Director of the Human Resources Division; on his right is Gustave Johanson, on Mr. Zimmerman's staff; and on my left is Mr. Joseph Kredatus, supervisory auditor from the Philadelphia regional office, who has been heavily involved in our work in looking at the student benefit programs of the Social Security Administration.

I do have a statement, Mr. Chairman, which does two things: Summarizes a lot of information that we made available to the committee staff in chart form on February 2, 1979, and also comments briefly on some of the problems which the Social Security Administration has had in administrating the student benefit program.

My statement is lengthy which I would like to highlight. We will be available to discuss the charts and answer any questions you or the subcommittee members may have.

Mr. GIBBONS. Without objection, your entire statement will be included in the record at the appropriate point. You may proceed.

Mr. AHART. Our work in this area was prompted by five major concerns: First, as you mentioned, there are financing problems confronting the social security system; second, annual social security student benefit payments have grown about fivefold since 1966, the first full year of the operation of the program; third, the extent social security student benefits duplicate financial assistance provided by other programs; fourth, social security student benefits are paid without regard to need, cost of education, or academic progress; and, fifth, the Social Security Administration has experienced serious problems in implementing the student benefit provisions.

The Social Security Act, as amended, provides for the payment of benefits to children aged 18 to 22 of entitled retired, disabled, and deceased workers, if they are attending school full time and are not married. Payment of social security student benefits have rapidly grown from $325 million in 1966, the first full year of operation, to $1.6 billion during 1978. The Social Security Administration estimates the program will continue to grow, reaching $2.5 billion in 1982.

Social security student benefits, like all social security benefits, are based on the entitled workers' earnings in covered employment. During the 1977 school year, annual benefit payments to students ranged from less than $100 to more than $4,000. The average annual benefit was about $1,700.

FINANCIAL ASSISTANCE FROM THE OFFICE OF EDUCATION AND OTHER SOURCES IS AVAILABLE TO SOCIAL SECURITY STUDENT BENEFICIARIES

HEW's Office of Education is a major source of Federal student financial aid for postsecondary education. Most of the programs it sponsors were not established when social security student benefits began in 1965. Its six major programs are:

1. Basic educational opportunity grant (basic grant).
2. Supplemental educational opportunity grant.
3. College work-study.
4. National direct student loan.
5. Guaranteed student loan.
6. State student incentive grant.

During school year 1977–78, these programs provided about $4.2 billion in financial assistance to about 3 million students at more than 8,000 participating schools. To participate in these programs, a student must maintain good academic standing according to the standards and practice of the school. Also, funds for most of these programs are distributed on the basis of need.

The largest of these programs is the basic grant, which provided $1.7 billion to needy students. The basic grant program provides up to one-half of the student's cost of education, but not more than $1,600 for the 1978–79 school year and $1,800 the following year. Educational costs include tuition, living expenses, school fees, and miscellaneous expenses.

The basic grant program is considered to be the foundation or starting point for financial assistance. A principal factor in determining eligibility for a basic grant is family income.

To determine whether social security student beneficiaries were applying for, or receiving assistance from Office of Education and other programs, we compared social security student records for the 1976–77 school year with records from the basic grant program, the guaranteed student loan program, and the veterans' dependents educational assistance program for 18- to 22-year-old dependents.

We estimate that 800,000 social security student beneficiaries could have applied for a basic grant during the 1976–77 school year. However, we estimate that only 218,000, or about 27 percent, were scheduled to actually receive them.

It is significant to note, however, that of those who did apply for a basic grant, 71 percent were determined eligible.

Many social security student beneficiaries can apply for and receive guaranteed student loans. We identified 31,000 social security student beneficiaries who received a loan, including over 10,000 who were ineligible for a basic grant.

Our comparison of social security records with Veterans' Administration dependent educational assistance records showed that 48 percent were also receiving social security student benefits.

To obtain an indication of the sources of financial assistance social security student beneficiaries recieve, we visited 119 postsecondary schools in the Los Angeles, Calif., and upstate New York areas and reviewed the financial assistance folders for selected students. Conservatively, we estimate that 50 percent of the social security students were receiving financial assistance from at least one other Federal, State, or private source. Some of these students received financial assistance from as many as five additional sources.

MANY STUDENTS RECEIVE MORE IN BENEFITS THAN THE COST OF THEIR EDUCATION

We estimate that 218,000 social security student beneficiaries expected to receive basic grants for the 1976–77 school year. Of these, more than 100,000 expected to receive more in social security and basic grant benefits than their total cost of going to school. About 40 percent of these students received more in social security student benefits alone than their total educational cost for the year, with some students having excess benefits of more than $2,200.

We also identified about 4,000 students who received benefits from social security, VA, and basic grant programs, which when totaled were greater than their educational costs. And 85 percent of these students expected to receive benefits exceeding their annual educational costs by more than $1,000 and a few by more than $5,000.

PROBLEMS WITH PAYING EDUCATION BENEFITS USING AN INSURANCE SYSTEM

Social security benefits are provided under an insurance concept, generally relating to the sharing of risks over which individuals have little or no control, such as death or disability. An insurance concept

is not usually applied to conduct that is not only under the individual's control, but is actually perceived as desirable, such as obtaining post-secondary education.

There are specific problems with using the social security system for targeting money to students for school attendance, These include, first, students from lower income families will generally receive the least benefits; second, students from larger families generally receive proportionally less than students from small families; third, annual benefit payments to students range from less than $100 to more than $4,000. Students in the same financial position going to the same school and incurring the same costs can receive quite different benefit amounts.

Fourth, students age 18 to 22 who attend school less than full time are not entitled to any social security benefits. Working students whose school attendance is not full time do not receive any benefits. Fifth, students who marry are not entitled to receive benefits even though attending school full time. Sixth, students are not required to make educational progress since there are no academic standards. For example, one student in our sample was paid about $1,600 in social security student benefits from December 1975 through 1976, although failing all 30 credit hours taken. The same student, I might add, failed the last 56 credit hours while receiving social security benefits.

SOCIAL SECURITY ADMINISTRATION'S MANAGEMENT OF STUDENT BENEFITS

We found that the Social Security Administration has experienced problems in paying student benefits.

We examined high school and postsecondary school records for a sample of students in Los Angeles County and upstate New York. We determined that many students were ineligible for payments because they had dropped out of school or attended only part time. Nine percent of the payments made to the students in our upstate New York sample and 19 percent of the payments made to students in our Los Angeles County sample were made to ineligible students.

We also determined that 86 percent of the sampled students who attended school part time or dropped out did not notify Social Security as required. Further, at least 31 percent of the sampled students who were no longer attending school full time incorrectly reported that they were full-time students.

The Social Security Administration was notified of our findings during our review and is taking corrective action by (1) measuring the nationwide magnitude of payments to ineligible students, (2) revising its student reporting form to require school verification, and (3) obtaining other verifying data from the Office of Education on students receiving social security benefits.

We identified several other problems with beneficiaries: (1) students have submitted inaccurate information on social security benefits to the Office of Education resulting in their receiving larger basic grants than warranted; (2) the Social Security Administration has made duplicate payments to students; and (3) the Social Security Administration has had difficulties in collecting overpayments made to students.

THE ADMINISTRATION PROPOSES TO PHASE OUT SOCIAL SECURITY BENEFITS FOR POSTSECONDARY STUDENTS

The administration estimates that if a 4-year phaseout of the student program for postsecondary students begins in fiscal year 1980, it could save the Social Security Trust Funds about $170 million in the first year. By 1984 the annual savings would be about $1.8 billion. A phaseout would require amending the Social Security Act.

The results of our work to date support a phaseout of these benefits. In view of the fact that the insurance concept of the social security program is not well suited to meeting the educational needs of covered beneficiaries and the financial problems confronting the social security system, the Congress should give full consideration to such a proposal.

Mr. Chairman, this completes my highlighting of our statement. We will be glad to answer any questions you or other members may have. Also we would be glad to discuss any information in the attached charts to whatever extent it may be desired.

We have blowups of the charts that the staff has identified as being of particular interest. If you would like, we can go to questions now or I can ask Mr. Kredatus to go to the charts and discuss them with you and we will answer any questions that might arise.

Mr. GIBBONS. Fine.

[The prepared statement and accompanying charts follow:]

STATEMENT OF GREGORY J. AHART, DIRECTOR, HUMAN RESOURCES DIVISION, GENERAL ACCOUNTING OFFICE

Mr. Chairman and Members of the Subcommittee, we are please to appear today to discuss our review of Social Security student benefits. By letter dated February 2, 1979, we presented to the staff of the full Committee infor nation in chart form on our work in this area.

I would like at this time to submit a copy of the letter and charts which are attached to the statement for the record. My statement today will summarize and highlight the information contained in the charts, and comment briefly on problems the Social Security Administration has had in administering the benefit program.

Our work in this area was prompted by five major concerns:

1. There are financing problems confronting the Social Security system,
2. Annual Social Security student benefit payments have grown about fivefold since 1966,
3. The extent Social Security student benefits duplicate financial assistance provided by other programs,
4. Social Security student benefits are paid without regard to need, cost of education, or academic progress, and
5. The Social Security Administration has experienced serious problems in implementing the student benefit provisions.

The Social Security Act as amended provides for the payment of benefits to children aged 18 to 22 of entitled retired, disabled, and deceased workers, if they are attending school full time and are not married. Payments of Social Security student benefits have rapidly grown from $325 million in 1966, the first full year of operation to $1.6 billion during 1978. The Social Security Administration estimates the program will continue to grow, reaching $2.5 billion in 1982.

Social Security student benefits, like all Social Security benefits, are based on the entitled workers' earnings in covered employment. During the 1977 school year, annual benefit payments to students ranged from less than $100 to more than $4,000. The average annual benefit was about $1,700.

FINANCIAL ASSISTANCE FROM THE OFFICE OF EDUCATION AND OTHER SOURCES IS AVAILABLE TO SOCIAL SECURITY STUDENT BENEFICIARIES

HEW's Office of Education is a major source of Federal student financial aid for postsecondary education. Most of the programs it sponsors were not established when Social Security student benefits began in 1965. Its six major programs are:

1. Basic Educational Opportunity Grant (Basic Grant).
2. Supplemental Educational Opportunity Grant.
3. College Work-Study.
4. National Direct Student Loan.
5. Guaranteed Student Loan.
6. State Student Incentive Grant.

During school year 1977–78, these programs provided about $4.2 billion in financial assistance to about 3 million students at more than 8,000 participating schools. To participate in these programs a student must maintain good academic standing according to the standards and practice of the school. Also, funds for most of these programs are distributed on the basis of need.

The largest of these programs in the Basic Grant which provided $1.7 billion to needy students. The Basic Grant program provides up to one-half of the student's cost of education, but not more than $1,600 for the 1978–79 school year and $1,800 the following year. Educational costs include tuition, living expenses, school fees, and miscellaneous expenses.

The Basic Grant program is considered to be the foundation or starting point for financial assistance. A principal factor in determiniug eligibility for a Basic Grant is family income. During the 1979–80 school year, for example, a student from a family of four persons with total family income less than $25,000 will generally be eligible for a Basic Grant.

Census Bureau data indicates that for 1977, 89 percent of the Social Security student beneficiaries had parental income of less than $25,000. Consequently, parental income would not preclude most Social Security students from receiving a Basic Grant. Moreover, Office of Education estimates for academic year 1979–80 show that if all eligibility factors were considered, about seven out of every ten Social Security students could receive a Basic Grant.

Social Security student beneficiaries may also receive financial assistance form programs administered by other Federal agencies such as the Veterans Administration, Railroad Retirement Board, and Office of Personnel Management (formerly the Civil Service Commission). Further, many other prgrams are available at the State and local level to provide financial assistance.

To determine whether Social Security student beneficiaries were applying for, or receiving assistance from Office of Education and other programs, we compared Social Security student records for the 1976–77 school year with records from the Basic Grant program, the Guaranteed Student Loan program, and the Veterans Dependents Educational Assistance program for 18 to 22 year old dependents. (This program pays benefits to dependents of deceased and disabled veterans and should not be confused with educational benefits available to veterans themselves, such as the former GI bill.)

We estimate that 800,000 Social Security student beneficiaries could have applied for a Basic Grant during the 1976–77 school year. However, we estimate that only 218,000 or, about 27 percent, were scheduled to actually receive them. The principal reasons for this low percentage were:

1. 59 percent did not bother to apply,
2. 11 percent were ineligible because they did not meet the needs test, and
3. 2 percent applied, were eligible to receive a grant, but never claimed the grant money.

It is significant to note, however, that of those who did apply for a Basic Grant, 71 percent were determined eligible.

Many Social Security student beneficiaries can apply for and receive Guaranteed Student Loans. We identified 31,000 Social Security student beneficiaries who received a loan, including over 10,000 who were ineligible for a Basic Grant.

Our comparison of Social Security records with Veterans Administration dependent educational assistance records showed that 48 percent were also receiving Social Security student benefits. Furthermore, when the records from three programs were compared, about 4,600 students were receiving Social Security and Veterans Administration educational benefits and also expected to receive a Basic Grant.

A 1976 Office of Education survey of 256,000 college freshmen shows that the Social Security student beneficiaries do, in fact, receive less financial support from their parents than other students. However, the data also shows that this decreased support is offset by (1) Social Security student participation in Federal, State, and private programs, especially the Office of Education programs, and (2) greater amounts of assistance from these programs.

To obtain an indication of the sources of financial assistance Social Security student beneficiaries receive, we visited 119 postsecondary schools in the Los Angeles, California, and upstate New York areas and reviewed the financial assistance folders for selected students. Conservatively, we estimate that 50 percent of the Social Security students were receiving financial assistance from at least one other Federal, State, or private source. Some of these students received financial assistance from as many as five additional sources.

MANY STUDENTS RECEIVE MORE IN BENEFITS THAN THE COST OF THEIR EDUCATION

We estimate that 218,000 Social Security student beneficiaries expected to receive Basic Grants for the 1976–77 school year. Of these, more than 100,000 expected to receive more in Social Security and Basic Grant benefits than their total cost of going to school. About 40 percent of these students received more in Social Security student benefits alone than their total educational cost for the year, with some students having excess benefits of more than $2,200.

We also identified about 4,000 students who received benefits from Social Security, VA, and Basic Grant programs, which when totaled, were greater than their educational costs. Eighty-five percent of these students expected to receive benefits exceeding their annual educational costs by more than $1,000 and a few by more than $5,000.

Social Security beneficiaries can receive more in benefits than their total cost of education principally because Social Security student benefits are not related to educational cost and are even paid when students are on summer vacation, and the Social Security Administration considers student benefits as income maintenance rather than educational benefits. Thus the Office of Education treats the student benefits as family income, thereby expecting only a small portion to be utilized in meeting educational costs.

PROBLEMS WITH PAYING EDUCATION BENEFITS USING AN INSURANCE SYSTEM

Social Security benefits are provided under an insurance concept, generally relating to the sharing of risks over which individuals have little or no control, such as death or disability. An insurance concept is not usually applied to conduct that is not only under the individual's control, but is actually perceived as desirable, such as obtaining postsecondary education.

There are specific problems with using the Social Security system for targeting money to students for school attendance. These include:

1. Students from lower income families will generally receive the least benefits.
2. Students from larger families generally receive proportionally less than students from smaller families. This occurs because Social Security benefits to dependents from families with three or more persons are reduced to conform to the maximum amount Social Security may pay a family. By extending dependency to student beneficiaries, other family member benefits are often diluted.
3. Annual benefits to students range from less than $100 to more than $4,000. Students in the same financial position going to the same school and incurring the same cost can receive different benefit amounts.
4. Students age 18 to 22 who attend school less than full time are not entitled to any Social Security benefits. Working students whose school attendance is not full time do not receive any benefits.
5. Students age 18 to 22 who marry are not entitled to receive benefits even though attending school full time.
6. Students are not required to make educational progress since there are no academic standards.

For example, a student in our sample was paid about $1,600 in Social Security student benefits from December 1975 through 1976, although failing all 30 credit hours taken.

SOCIAL SECURITY ADMINISTRATION'S MANAGEMENT OF STUDENT BENEFITS

We have found that the Social Security Administration has experienced problems in paying student benefits.

The Social Security Administration relies primarily on students to provide timely and accurate reports of their school attendance. To verify attendance and evaluate the reliability of student reporting, we examined high school and postsecondary school records for a sample of students in Los Angeles County and upstate New York.

We determined that many students were ineligible for payments because they had dropped out of school or attended only part time. Nine percent of the payments made to the students in our upstate New York sample and 19 percent of the payments made to students in our Los Angeles County sample were made to ineligible students. The Social Security Administration was not aware of most of these improper payments.

We also determined that 86 percent of the sampled students who attended school part time or dropped out did not notify Social Security as required. Further, at least 31 percent of the sampled students who were no longer attending school full time, incorrectly reported that they were full time students. For example, a student reported after the school year ended that he had been attending school; however, the school records showed that he had dropped out several months before the end of the school year. Consequently, the student was paid about $1,700 in benefits to which he was not entitled.

The Social Security Administration was notified of our findings during our review and is taking corrective action by (1) measuring the nationwide magnitude of payments to ineligible students, (preliminary results indicate annual payments to ineligible students of $100 to $150 million), (2) revising its student reporting form to require school verification, and (3) obtaining other verifying data from the Office of Education on students receiving Social Security benefits.

We identified several other problems with beneficiaries:

1. Students have submitted inaccurate information on Social Security benefits to the Office of Education resulting in their receiving larger Basic Grants than warranted;
2. The Social Security Administration has made duplicate payments to students; and
3. The Social Security Administration has had difficulties in collecting overpayments made to students.

THE ADMINISTRATION PROPOSES TO PHASE OUT SOCIAL SECURITY BENEFITS FOR POSTSECONDARY STUDENTS

The Administration estimates that if a 4-year phase out of the student program for postsecondary students begins in fiscal year 1980, it could save the Social Security Trust Funds about $170 million in the first year. By 1984, the annual savings would be about $1.8 billion.

The Administration justifies the phase out on the basis that student aid should be provided through educational assistance programs rather than through an income maintenance program and a number of educational assistance programs have been established since 1965.

A phase out would require amending the Social Security Act.

CONCLUSIONS

Since the Social Security Administration began paying student benefits, a number of other Federal programs have been established in the Office of Education to provide student financial assistance. Parental income and other characteristics of Social Security students indicate that the majority of the students could receive assistance from these programs if they need such assistance.

Unlike the Office of Education programs, Social Security student benefits are paid under an insurance concept without regard to need, cost of education, or academic progress. Furthermore, our work has shown that a number of Social Security student beneficiaries are receiving financial aid far in excess of the cost of their education.

The Administration is proposing to phase out the payment of Social Security benefits to postsecondary students. The results of our work to date support a phase out of these benefits. In view of the fact that the insurance concept of the Social Security program is not well suited to meeting the educational needs of covered beneficiaries and the financial problems confronting the Social Security system, the Congress should give full consideration to such a proposal.

Mr. Chairman, this completes our statement. We will be glad to answer any questions you or other members may have. Also, we would be glad to discuss any information in the attached charts to whatever extent may be desired.

Attachment.

U.S. GENERAL ACCOUNTING OFFICE,
Washington, D.C., February 2, 1979.

Mr. JOHN M. MARTIN, Jr.,
Chief Counsel, Committee on Ways and Means,
House of Representatives.

DEAR MR. MARTIN: We have been examining the provisions of the Social Security program related to benefit payments for students. As part of our work, we have assembled information in chart form on these students including their relationship to other educational programs. These charts also cover many aspects of the issues and problems associated with the possible discontinuance of Social Security payments to these beneficiaries.

The information contained in these charts may be of use to the Committee in evaluating the Administration's proposal on phasing out benefits for postsecondary students. Mr. Michael Zimmerman of our Social Security audit staff (301-594-4484) will be available to discuss the data contained in the charts.

Copies of these charts are also being furnished to the Secretary of Health, Education, and Welfare, as well as to other congressional committees who have expressed an interest in this area.

Sincerely yours,

GREGORY J. AHART,
Director.

Enclosures.

INFORMATION ON SOCIAL SECURITY STUDENT BENEFICIARIES ASSEMBLED BY U.S. GENERAL ACCOUNTING OFFICE, FERBUARY 1979

Chart 1

SHOULD SOCIAL SECURITY STUDENT BENEFICIARIES BE VIEWED AS DEPENDENTS OR ADULTS?

HOUSE WAYS AND MEANS COMMITTEE AND SENATE FINANCE COMMITTEE VIEW (1965)

(House Report No. 213, Senate Report No. 404 Part I) " * * *The Committee believes that a child over age 18 who is attending school full time is dependent just as a child under 18 or a disabled older child is dependent, and that it is not realistic to stop such a child's benefit at age 18. A child who cannot look to a father for support (because the father has died, is disabled, or is retired) is at a disadvantage in completing his education as compared with the child who can look to his father for support. Not only may the child be prevented from going to college by loss of parental support and loss of his benefits; he may even be prevented from finishing high school or going to a vocational school. * * * "

SOCIAL SECURITY VIEW (1972)

(Expressed in the context of issuing the student a separate check, instead of including the student benefit as part of the family's check.) "* * *Since the basis for the change in paying benefits to students is in the recognition that any individual who is at least age 18 is an adult and has a right to receive and manage his own benefits, * * *. The right to receive their own benefits is considered to be a basic right of all adults and cannot be taken away from them unless they are incompetent to manage those benefits. * * *"

SOCIAL SECURITY VIEW (1979)

(Excerpt of 1980 budget justification statement.) " . . . once a child completes his secondary education and attains the legal age of majority—increasingly regarded as 18, rather than 21, as reflected in the change in the voting-age requirement—the person should be regarded as an adult, financially and otherwise responsible for himself, and that such a presumption of 'dependency' is not valid. Student assistance should be provided through educational assistance programs not through an income maintenance program. A number of programs have been established since 1965 that provide educational assistance. * * *"

THE DEPENDENCY CONCEPT IN THE OFFICE OF EDUCATION BASIC GRANT PROGRAM

An independent, for Basic Grant purposes, is an individual who during the previous and current year did not, or will not during the next year: (1) live with his parents for more than 2 consecutive weeks, (2) be claimed as an exemption on his parents' Federal income tax return, (3) receive $600 or more worth of assistance from his parents.

About 24,600 Social Security student beneficiaries, of 233,160 who applied and were eligible for an Office of Education Basic Grant during the 1976–77 school year, were considered by the Office of Education independent of their parents for purposes of receiving the Basic Grant.

Chart 2

SOCIAL SECURITY STUDENT BENEFITS

Critics of the program say:

(*a*) While the SSA program is designed to provide student assistance, other Federal programs are better targeted toward students who need help. These other programs achieve more equitable results among families of similar size and resources.

(*b*) A flat-rate tax on earnings is an inappropriate method of providing assistance to enable individuals to attend college.

(*c*) The program is an expensive, inequitable, and unnecessary duplication of benefits.

(*d*) SSA programs are generally considered social insurance which has been defined as the sharing of unwanted risks over which individual beneficiaries have little or no control. This insurance concept is not usually applied to conduct that is not only under the individual's control, but is actually perceived as desirable, such as attending school past the 18th birthday.

(*e*) When enacted, no provision was made to cover the costs of the benefits, such as an increase in the payroll tax rate.

Supporters of the program say:

(*a*) Student benefits are not aid to students, but income to families.

(*b*) A social insurance program is no more properly subject to a needs test or criticism for duplicating benefits than any other insurance program.

Chart 3

SOCIAL SECURITY STUDENT BENEFIT PROGRAM

Eligibility criteria:

(*a*) Individual must be the child of an insured retired, disabled, or deceased worker, and

(*b*) Single, and

(*c*) Attending an eligible institution[1] full time, and

(*d*) Age 18 to 22.[2]

Eligibility and benefit amount:

(*a*) Are not contingent upon a student's academic progress.

(*b*) Are not related to educational cost.

---

[1] This includes public, nonprofit, and proprietary (profit-making) schools—but excludes mailorder establishment.

[2] Benefits may be received until the end of the school term in which age 22 is attained.

CHART 4

SOCIAL SECURITY STUDENT BENEFICIARIES PROGRAM GROWTH COMPARISON FOR THE MONTH OF DECEMBER 1965-78

	Number of students	Benefits paid (millions)		Number of students	Benefits paid (millions)
December 1965	205, 677	$13. 725	December 1972	634, 481	69. 6[illegible]
December 1966	375, 873	24. 000	December 1973	651, 540	72. 612
December 1967	427, 267	27. 449	December 1974	679, 101	94. 715
December 1968	474, 056	34. 243	December 1975	774, 261	104. 561
December 1969	498, 015	36. 027	December 1976	834, 718	121. 059
December 1970	537, 170	44. 672	December 1977	869, 184	135. 687
December 1971	583, 374	53. 405	December 1978	817, 506	139. 994

Note: Social security student benefit program was established in 1965 as a part of the legislation which enacted the medicare program.

CHART 5

NUMBER AND AMOUNT PAID DURING PERIOD JULY 1, 1976 TO JUNE 30, 1977

Month	Number	Amount (millions)	Month	Number	Amount (millions)
July 1976	653, 072	$94. 826	February 1977	858, 873	124. 071
August 1976	705, 237	102. 417	March 1977	882, 670	127. 447
September 1976	737, 051	107. 069	April 1977	894, 842	129. 295
October 1976	770, 835	112. 041	May 1977	873, 558	126. 249
November 1976	805, 889	117. 019	June 1977	804, 817	124. 576
December 1976	834, 718	121. 059			
January 1977	841, 299	121. 722	Total		1, 407. 791

Note: During this period, a total of 1,053,556 different persons received 1 or more payments as students.

CHART 6

STUDENTS BY BASIS OF ENTITLEMENT AT YEAR END FROM 1965-78

	Total number	Percent of students who were children of—		
		Retired workers	Deceased workers	Disabled workers
December:				
1965	205, 677	16. 6	75. 4	8. 0
1966	375, 873	17. 9	71. 0	11. 1
1967	427, 267	16. 9	71. 0	12. 1
1968	474, 056	16. 8	70. 2	13. 0
1969	498, 015	16. 3	70. 3	13. 4
1970	537, 170	16. 8	69. 2	14. 0
1971	583, 374	16. 7	68. 6	14. 7
1972	634, 481	16. 6	67. 3	16. 1
1973	651, 540	17. 5	66. 6	15. 9
1974	679, 101	17. 4	65. 2	17. 4
1975	774, 261	17. 2	63. 8	19. 0
1976	834, 718	18. 6	61. 4	20. 0
1977	869, 184	18. 1	61. 5	20. 4
1978	817, 506	18. 6	60. 8	20. 6

NOTES

1. The monthly benefit payable to a student is related to the primary insurance amount of the retired, disabled, or deceased worker. The primary insurance amount is related by law to the average monthly earnings of the worker and is the amount payable monthly to a retired worker upon entitlement to full benefits at age 65 and to a disabled worker upon entitlement to disability benefits. It also serves as the basis for computing all other benefits based on an earnings record.

2. Student children of retired and disabled workers can each receive up to 50 percent of the primary insurance amount, while student children of deceased workers can each receive up to 75 percent. Total benefits payable to a family, however are subject to a statutory maximum amount.

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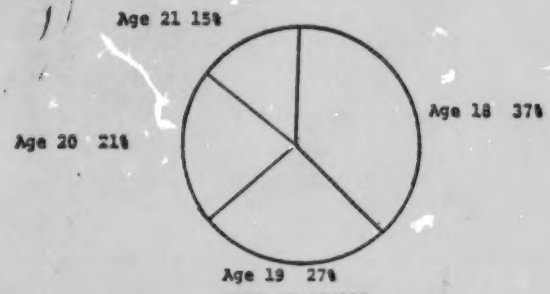
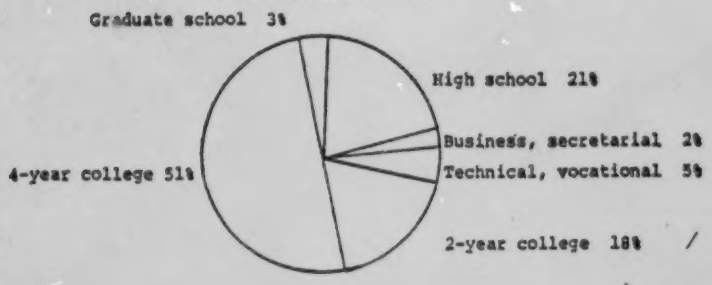
CHART 7

SOCIAL SECURITY STUDENT BENEFICIARIES
BY AGE AND TYPE OF SCHOOL

STUDENT AGE
(December 1972)



TYPE OF SCHOOL
(1972-73 SCHOOL YEAR)



NOTE:

Most recent data available.

CHART 8

GAO ESTIMATE SOCIAL SECURITY STUDENT BENEFITS PAID BY TYPE OF SCHOOL ATTENDING

[In millions of dollars]

Type of school attending	Academic year 1976-77	1977-78
High school	$257.2	$282.6
Nongraduate postsecondary	1,107.3	1,216.9
Graduate	43.3	47.6
Total	1,407.8	1,547.1

Note: Above estimates are based on social security survey data for students in academic year 1972-73, and assume the proportion of students and median benefits for these groups are the same in 1976-77 and 1977-78.

CHART 9

SOCIAL SECURITY STUDENT BENEFICIARIES ATTENDING PUBLIC OR PRIVATE SCHOOL, 1972–73 SCHOOL YEAR BY TYPE AND COST OF SCHOOL

	Total	High school	College	Non-college postsecondary
Total number (thousands)	588	126	420	42
Percent public or private:				
Percent in public	75	95	71	54
Percent in private	25	5	29	46
Total percent	100	100	100	100
Percent and cost of school:				
Percent with no cost	11	41	3	4
Percent with cost	89	59	97	96
Total percent	100	100	100	100
Median nonzero cost		$170	$1,810	$1,220
Median annual SSA student benefit		$1,176	$1,416	$1,476

NOTES

1. Most recent data available.
2. Cost includes tuition, fees, books, room, board, travel and/or private health fees, as reported by the students.
3. The median annual SSA student benefit shown above represents median December 1972 benefits multiplied by 12.

CHART 10

LIKELIHOOD OF SCHOOL ATTENDANCE WITHOUT STUDENT BENEFITS, NUMBER AND PERCENTAGE DISTRIBUTION OF STUDENTS BY TYPE OF SCHOOL, 1972–73 SCHOOL YEAR, SOCIAL SECURITY SURVEY OF STUDENT OPINION

Survey of students	All students	High school students	College students	Noncollege postsecondary students
Total number (thousands)	588	126	420	42
Student comment:				
Would not go to school (percent)	33	16	36	54
No opinion (percent)	14	8	16	13
Would go to school (percent)	52	76	47	32
Total percent	100	100	100	100

NOTES

1. Most recent data available.
2. Student comment percentage figures may not add to total due to rounding.
3. The basic educational opportunity grant program as a source of Federal student financial aid did not provide funds for the first time until the 1973–74 academic year.

CHART 11

GAO DISTRIBUTION OF STUDENTS BY BENEFIT RANGE AND MONTHS PAID DURING THE YEAR JULY 1, 1976, TO JUNE 30, 1977, NUMBER OF MONTHS STUDENTS RECEIVED SSA STUDENT BENEFITS

SSA benefit range	1	2	3	4	5	6	7	8	9	10	11	12	Total students
$1 to $100	335	873	1,627	1,044	737	525	298	187	171	133	318	809	7,057
$101 to $300	296	3,583	7,589	5,524	4,290	3,504	2,323	1,879	1,584	1,382	3,476	9,198	44,628
$301 to 600		2,752	14,178	12,056	9,392	9,002	5,310	4,011	3,264	3,374	7,520	23,014	93,873
$601 to $1,000		44	6,794	13,500	12,576	14,901	8,936	7,482	6,547	6,052	12,063	49,798	138,693
$1,001 to $1,500			4	1,538	7,283	15,204	10,583	9,432	8,675	10,370	22,259	89,938	175,286
$1,501 to $2,000					94	2,095	4,724	6,753	7,733	9,901	23,398	103,356	157,954
$2,001 to $2,500						9	245	1,272	3,311	7,931	21,473	91,353	125,594
$2,501 to $3,000								20	435	2,038	9,505	90,866	102,864
$3,001 to $3,500										194	1,517	23,989	25,700
$3,501 to $4,000										2	44	1,826	1,872
Over $4,000										1		36	37
Total	631	7,252	30,192	33,662	34,372	45,240	32,419	31,036	31,720	41,378	101,573	484,083	873,558

Note: The 873,558 student beneficiaries were those beneficiaries paid in May 1977. This table shows the range of their student benefits during a 1-yr period and excludes social security benefits paid prior to age 18 (if the student became 18 during the above period).

Chart 12

Social Security Student Benefit Program Problems With an Insurance System To Pay Benefits for Full-Time School Attendance

The Social Security student benefit program provides benefits to individuals regardless of their need for assistance to attend school since these benefits are paid under Social Security's insurance concept. If Social Security student beneficiaries are receiving payments to attend school full time, some problems with the insurance concept payment mechanism are:

(*a*) Student beneficiaries themselves can receive payments ranging from less than $100 to more than $4,000 for attending school full time for a year.

(*b*) Students from lower income families will generally receive the least benefits under the SSA program because parental earnings and contributions to SSA were low.

(*c*) Persons age 18 to 22 who attend school less than full time are not entitled to any Social Security student benefits.

(*d*) Persons age 18 to 22 who marry are not entitled to receive student benefits even though attending school full time.

(*e*) Dependents from families of three or more persons generally have their SSA benefits reduced because there are maximum amounts which SSA may pay any one family. In a sense, by extending dependency to student beneficiaries, other family dependent benefits are diluted.

CHART 13

BUREAU OF THE CENSUS—SURVEY OF INCOME AND EDUCATION, PERCENT OF SOCIAL SECURITY STUDENT BENEFICIARIES, BY RANGE OF PARENTAL INCOME

Parental income range (1977 dollars)	Percent of SSA student beneficiaries
None	0.6
$1 to $3,999	16.8
$4,000 to $5,999	11.9
$6,000 to $7,499	10.8
$7,500 to $9,999	12.7
$10,000 to $11,999	8.0
$12,000 to $14,999	10.6
$15,000 to $19,999	12.8
$20,000 to $24,999	5.3
$25,000 to $29,999	4.1
$30,000 to $34,999	2.2
$35,000 to $39,999	.9
$40,000 and over	3.3

NOTES

1. Parental income in 1975, updated by census to 1977 dollars.
2. The percentages shown above related to a census universe for 603,000 social security student beneficiaries in 1975.
3. During academic year 1978–79, a student from a family of 4 persons with total family income less than $15,000 is generally eligible for an Office of Education basic grant. For academic year 1979–80, a student from a family of 4 persons whose family income is less than $25,000 will generally be eligible for a basic grant.

CHART 14

CONGRESSIONAL BUDGET OFFICE ESTIMATES FOR FISCAL YEAR 1978, STUDENT ASSISTANCE FUNDING, PROGRAM FUND DISTRIBUTION BY FAMILY INCOME

Program	0 to $15,000	$15,000 to $25,000	$25,000 and over	All income
Basic grant: [1]				
Dollar (millions)	1,947	129	0	2,076
Percent	94	6	0	100
Supplemental grant: [2]				
Dollars (millions)	248	22	0	270
Percent	92	8	0	100
Direct loan: [3]				
Dollars (millions)	212	98	16	326
Percent	65	30	5	100
College work-study:				
Dollars (millions)	348	78	9	435
Percent	80	18	2	100
Guaranteed loan: [4]				
Dollars (millions)	331	172	27	530
Percent	63	32	5	100
Veterans' readjustment:				
Dollars (millions)	1,129	804	161	2,094
Percent	54	38	8	100
Social security student benefits:				
Dollars (millions)	923	260	263	1,446
Percent	64	18	18	100

[1] Basic educational opportunity grant (basic grant) program.
[2] Supplemental eductional opportunity grant (supplemental grant) program.
[3] National direct student loan (direct loan) program.
[4] Guaranteed student loan (guaranteed loan) program.

NOTES

1. Data source for the above estimates was the Congressional Budget Office, "Federal Assistance for Postsecondary Education: Options for Fiscal Year 1979," May 1978.
2. Actual social security student benefits for fiscal year 1978 were $1,577,000,000.

Chart 15

Estimated cost of education for social security student beneficiaries who were also basic grant recipients academic year 1976–77

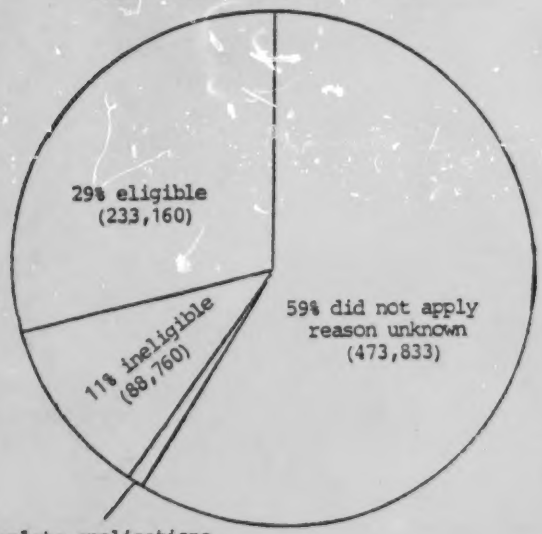
Estimated cost range:	*Percent social security student beneficiaries*
$1 to $1,300	0.4
$1,301 to $1,650	8.1
$1,651 to $2,000	30.3
$2,001 to $2,350	24.8
$2,351 to $2,700	11.0
$2,701 to $3,050	6.1
$3,051 to $3,400	4.0
$3,401 to $4,100	8.0
$4,101 to $4,800	4.0
$4,801 to $5,500	1.9
$5,501 to $6,200	.9
Over $6,200	.5
Total	100.0

NOTES

1. The above percentages apply to an estimated 207,537 Social Security student beneficiaries.
2. Cost as reported by the schools includes tuition, fees, living expenses, and miscellaneous expenses.

CHART 16

GAO ESTIMATES
SOCIAL SECURITY STUDENT BENEFICIARIES AND
THE BASIC EDUCATIONAL OPPORTUNITY GRANT PROGRAM
ACADEMIC YEAR 1976-77



NOTE:

We estimate that a total of 800,703 Social Security non-graduate postsecondary student beneficiaries could have applied for a Basic Grant during the 1976-77 academic year.

CHART 17

OFFICE OF EDUCATION THEORETICAL ESTIMATES OF SOCIAL SECURITY STUDENT BENEFICIARIES ELIGIBLE AND INELIGIBLE FOR BASIC GRANTS ASSUMING ALL STUDENTS APPLY

Academic year	If social security student benefit program is—			
	Continued		Discontinued	
	Eligible	Ineligible	Eligible	Ineligible
1977-78	351, 812	447, 488	----------	----------
1978-79	402, 120	430, 759	----------	----------
1979-80	572, 977	283, 120	617, 652	238, 447
1980-81	526, 763	336, 521	578, 477	284, 808
1981-82	493, 437	373, 021	544, 144	322, 333

NOTES

1. Above data are estimates by the Office of Education assuming all SSA student beneficiaries attending postsecondary educational institutions apply for basic grants. However, actual prior experience (1976-77 school year) has shown that 59 percent of potential postsecondary social security student beneficiaries did not apply for basic grants.
2. The following Office of Education estimates show the increased cost to the basic grant program if the social security student benefit program is discontinued.

Academic year:	Amount (millions)
1979–80	$49
1980–81	52
1981–82	60

Basic Grant costs would increase because Social Security student benefits, if discontinued, would not count as income in determining grant eligibility. Some previously ineligible Social Security students would then become eligible, and some of those already eligible would receive increased grant amounts.

Chart 18

REASONS SOCIAL SECURITY STUDENT BENEFICIARIES WERE INELIGIBLE FOR A BASIC GRANT ACADEMIC YEAR 1976–77

Social security student beneficiaries considered by the Office of Education as

Parental dependent:	Percent	Parental independent:	Percent
Parents' income too high	62	Students' income too high	93
Parents' assets too high	26	Students' assets too high	6
Students' assets too high	5	No one reason	1
No one reason	7		
Total	100	Total	100

NOTES

1. The above percentages were based on a GAO analysis of two samples (dependents and independents) of Social Security students determined ineligible for a Basic Grant by the Office of Education.
2. Income includes earnings, non-taxable items, and Veterans Educatonal Benefits.
3. Assets include home equity, other real estate, stocks, bonds, savings accounts, and business assets.

Chart 19

GAO estimate—social security student beneficiaries with social security student benefits in excess of school cost—academic year 1976–77

Excess benefit range:	Number of social security students
$1 to $100	5,364
$101 to $300	9,812
$301 to $600	11,834
$601 to $1,000	9,494
$1,001 to $1,400	3,300
$1,401 to $1,800	570
$1,801 to $22,00	55
Over $2,200	6
Total	40,435

NOTES

1. Based on a comparison of Social Security student beneficiaries who were also scheduled to receive a Basic Grant during the 1976–77 academic year, we estimate a total of 218,253 Social Security student beneficiaries expected to receive educational benefits from both programs.
2. Excess benefits for each individual were computed by subtracting the reported school cost from the Social Security student benefit alone.
3. School cost includes tuition, fees, living expenses, and miscellaneous expenses. The cost was reported to the Office of Education by the schools the students were attending.

Chart 20

GAO estimate—social security student beneficiaries—also scheduled to receive a basic grant benefits in excess of school cost—academic year 1976–77

Excess benefit range:	*Number of social security students*
$1 to 100	8,049
$101 to $300	15,853
$301 to $600	22,254
$601 to $1,000	23,874
$1,001 to $1,400	16,444
$1,401 to $1,800	10,883
$1,801 to $2,200	3,687
Over $2,200	749
Total	101,793

NOTES

1. Based on a comparison of Social Security student beneficiaries who were also scheduled to receive a Basic Grant during the 1976–77 academic year, we estimate a total of 218,253 Social Security student beneficiaries expected to receive educational benefits from both programs.
2. Excess benefits for each individual were computer by subtracting the reported school cost from the sum of the Social Security student benefit and the scheduled Basic Grant amount. The scheduled grant amount was used since actual data was not available at hte time of our review.
3. School cost includes tuition, fees, living expenses, and miscellaneous expenses. The cost was reported to the Office of Education by the schools the students were attending.

Chart 21

GAO estimate—social security student beneficiaries with VA dependent educational benefits and scheduled to receive a basic grant benefits in excess of school cost

Excess benefit range:	*Number of social security students*
$1 to $100	39
$101 to $300	73
$301 to $500	143
$501 to $1,000	340
$1,001 to $2,000	896
$2,001 to $3,000	1,341
$3,001 to $4,000	960
$4,001 to $5,000	263
Over $5,000	24
Total	4,079

NOTES

1. Based on a comparison of Social Security student beneficiaries who received VA dependent educational benefits and who also were scheduled to receive Basic Grants during the 1976–77 academic year, we estimate a total of 4,613 Social Security student beneficiaries expected to receive educational benefits from the three programs.
2. Excess benefits for each individual were computed by subtracting the reported school cost from the sum of the Social Security student benefit, the VA dependent educational benefit and the scheduled Basic Grant amount. The scheduled grant amount was used since actual data was not available at the time of our review.
3. School cost includes tuition, fees, living expenses, and miscellaneous expenses. The cost was reported to the Office of Education by the schools the students were attending.

Chart 22

GAO Estimates of Social Security Student Beneficiaries Receiving Educational Aid From Some Other Aid Programs

VETERANS' ADMINISTRATION DEPENDENT BENEFICIARIES

GAO compared samples of Social Security student beneficiaries (1,053,556) with VA dependent beneficiaries receiving educational benefits (62,273) during the 1976–77 school year.

Based on this comparison, we estimate 29,778 Social Security student beneficiaries were recipients of benefits from both programs during the 1976–77 school year.

NOTE.—The VA dependent beneficiaries receiving educational benefits are dependents of disabled or deceased veterans. These dependents are not to be confused with veterans receiving GI bill benefits.

GUARANTEED STUDENT LOAN RECIPIENTS

GAO compared samples of Social Security student beneficiaries (1,053,556) with 307,449 Guaranteed Student Loan recipients during the 1976–77 school year.

Based on this comparison, we estimate 30,617 students were recipients of benefits from both programs during the 1976–77 school year.

NOTES

1. The Social Security student beneficiaries represent all students paid in the 1976–77 school year. Based on most recent data available, we estimate that about 21 percent of these total students are in high school and, therefore, ineligible to receive these loans.
2. Program officials from the Guaranteed Student Loan program were unable to determine whether the loan records furnished represented all of the loan records during the 1976–77 school year.

STUDENTS RECEIVING SOCIAL SECURITY BENEFITS, VA DEPENDENT EDUCATIONAL BENEFITS, AND SCHEDULED TO RECEIVE A BASIC GRANT

GAO compared Social Security student beneficiaries (1,053,556) with VA dependent beneficiaries receiving educational benefits (62,273) and then with those students scheduled to receive a Basic Grant (1,882,833) during the 1976–77 school year.

Based on this comparison, we estimate 4,613 students were recipients of benefits from these three programs during the 1976–77 school year.

NOTE.—Based on most recent data available, we estimate that about 24 percent of the Social Security student beneficiaries shown above would not be eligible for a Basic Grant during this period since they were high school or graduate level students.

CHART 23

OFFICE OF EDUCATION SURVEY OF SOCIAL SECURITY AND OTHER STUDENTS SOURCES OF FUNDS TO ATTEND COLLEGE, FALL 1976

Source of funds	Total percent of students		Percent of students by amount of funds					
			$1 to $999		$1,000 to $1,999		Over $1,999	
	SSA	Other	SSA	Other	SSA	Other	SSA	Other
Parents/family	67	72	42	26	11	13	14	33
Office of education:								
Basic grant	35	19	21	12	14	7	----	----
Supplemental grant	11	5	9	4	2	1	----	----
Work-study	17	11	15	10	1	1	----	----
Guaranteed student loans	10	8	4	3	4	4	1	1
National direct student loans	12	8	9	5	3	3	----	----
Other grants:								
State	23	14	16	10	6	3	1	1
College	18	13	11	8	4	3	3	2
Private	11	7	9	6	2	1	1	----
Other loans:								
College	6	4	5	2	1	1	----	----
Other	5	5	2	2	1	2	1	1
Work:								
Part time	57	49	50	43	5	5	1	1
Full time	7	6	5	4	1	1	1	----

NOTES

1. The Office of Education survey was based on the responses of 13,508 social security student beneficiaries and 242,583 non-social security students who were 1st time, full-time freshmen in the fall of 1976.
2. Percent of students by amount of funds may not add to total percent of students because of rounding.

CHART 24

SOCIAL SECURITY STUDENT BENEFICIARIES RECEIVING EDUCATIONAL ASSISTANCE, STUDENT PARTICIPATION IN AID PROGRAMS, ACADEMIC YEAR 1976–77

Type school	Number of sources of educational aid						
	1	2	3	4	5	6 and over	Tota
4 yr	68	35	40	30	21	10	204
2 yr	153	37	27	12	3	1	235
Vocational or technical	13	6	7	3	0	0	29
Total	234	78	74	45	24	11	466
Percent	50	17	16	10	5	2	100

NOTE.—The above data represents the results of a GAO review of the financial aid files of 466 cases of social security student beneficiaries receiving educational aid from all sources, including social security student benefits, and all Federal, State, and private assistance known to the financial aid officer at the school the students were attending. The data represents a sample of social security students attending school in upstate New York and Los Angeles County, Calif.

CHART 25

SOCIAL SECURITY STUDENT BENEFICIARIES OVERPAYMENTS DURING FISCAL YEAR 1977, SAMPLE OF RECIPIENTS

	Upstate New York		Los Angeles County	
	Sample	Universe	Sample	Universe
Number of students	356	31,248	393	45,090
Payments to students	$442,481	[1] $38,841,000	$529,156	[1] $60,871,000
Percent of students overpaid	9	[2]	19	[2]
Amount of overpayments	$39,794	[1] $3,496,000	$98,353	[1] $11,322,000

[1] Estimated figures based on sample results.
[2] Not applicable.

Note.—Above data represents a sample of all types of social security student beneficiaries (high school, nongraduate, postsecondary, and graduate).

Mr. GIBBONS. Why don't we go to Mr. Kredatus and go through the charts. Please tell us where the charts are in the material we have. I frankly am unable to see the enlarged charts from here.

Mr. AHART. Would it be helpful to move them up in the center?

Mr. GIBBONS. Yes, it would be to me. I see them in our book that we have. Maybe you can leave them there and I can refer to them as we go along.

Mr. AHART. I will ask Mr. Kredatus to identify the charts by number in your material as we go through them.

Mr. GIBBONS. Do all the members have copies of these charts? They are about halfway back in the testimony that Mr. Ahart had presented to us. The first one we will discuss is chart No. 6. The enlarged charts are unnumbered, but I think we will start with chart 6 in the books.

Mr. KREDATUS. The first chart shows that in 1965 there were roughly 205,000 students receiving social security student benefits. As you can see, this chart lists the numbers of students by basis of entitlement, depending on whether they were a dependent of a retired, deceased, or disabled worker. The significance of this chart is that there has been somewhat of a shift between the percentage of deceased workers from inception of the program to the present day.

What I am saying is that for deceased workers, 75 percent of the the student beneficiaries had a basis of entitlement based on a deceased parent as compared to, say, 61 percent today.

This has been offset somewhat by the dramatic rise in the dependent beneficiaries who were the children of disabled workers. It has grown from 8 percent in 1965 to 20 percent today.

The next chart is chart 7. It shows the breakout of student age and roughly the percentages of social security student beneficiaries age 18, 37 percent; age 19, 27 percent; age 20, 21 percent; and age 21, 15 percent.

More significant is the type of school that these social security student beneficiaries were attending. As you can see, the greatest percentage of students were those attending 4-year colleges and that percentage was 51 percent of all social security student beneficiaries. This is coupled with 2-year colleges, which had 18 percent, for a combined total of 69 percent for either 2- or 4-year college beneficiaries.

I might add that students can even receive graduate school benefits 3 percent of the student beneficiaries were attending graduate school, and significant, too, is the fact that 21 percent of the student beneficiaries were estimated to be in high school. This is social security data.

Mr. GIBBONS. Let me ask a question about that data.

I notice on the footnote that this is the latest available data since 1972 or 1973. Why is the data so old?

Mr. KREDATUS. It is data that is not routinely collected by the Social Security Administration and the data that this represents was rather time consuming to collect. It took several months for Social Security to gather this data and to contact approximately 3,000 social security student beneficiaries nationwide. It is not something that they wanted to do periodically.

Mr. GIBBONS. All right, sir.

Mr. KREDATUS. The next chart is chart No. 8. It is GAO's estimate of the social security student beneficiaries by the type of school that these students are attending. For the 1977–78 year we estimate that $1.2 billion was paid to nongraduate postsecondary students and $282 million was being paid to high school student beneficiaries.

Mr. JENKINS. Mr. Chairman, let me ask a question.

Mr. GIBBONS. Sure.

Mr. JENKINS. How could you get these figures for 1976, 1977, 1978. How could you determine this if the latest data that you have is from 1972–73?

Mr. KREDATUS. These figures were broken down on the basis of social security's estimate of the 1972–73 academic year. We knew—Social Security knows, I should say—what the total benefit dollars paid to these students are. Taking the data they developed in 1972–73, we supplied a proportional relationship to the total dollars to come up with these individual dollar categories.

Mr. JENKINS. Can you use these figures and arrive at a percentage of students in high school or college?

Mr. KREDATUS. The dollar figures were gathered in the 1972–73 survey and there is a difference between the benefit payments to high school student beneficiaries and those who were in postsecondary education. I think the difference is roughly $20 to $30 that the student beneficiaries in postsecondary school are being paid more than high school students.

Mr. GIBBONS. Essentially, one is the survey and the other is an estimate?

Mr. KREDATUS. Yes, that is correct.

The next chart is chart No. 10 and again the only comprehensive study, by the way, that was made of these social security student beneficiaries for some specific type of information, was in the 1972–73 school year, which is why a lot of our data relate to that year. Essentially, in this survey, Social Security asked what would be the likelihood of school attendance without the student benefits?

In summary, 33 percent of the students said—this is a perceived ability to meet cost—33 percent said they would not go to school without the benefit; 14 percent said they had no opinion, would not give Social Security a definitive answer one way or the other; 52 percent said they would still go to school whether or not they received the social security benefits.

What I would like to point out about this chart is that the basic grant program was not in existence at this time. It came into existence in 1973–74, which means that this data should only be used as a very rough indicator of likelihood of school attendance.

The next chart is chart 13, and it represents the parental income of social security student beneficiaries. The information was obtained from the Bureau of Census and it was its survey of income and education.

Briefly what these figures indicate are that 71 percent of all social security student beneficiaries had less than $15,000 of parental income. If we view the range from $15,000 to $25,000, another 18 percent would be added bringing the total to 89 percent of social security student parental income that is less than $25,000.

I might add that the significance of that 89 percent is that for the basic grant program, for the 1978–79 year, the cutoff in general terms for a family of four is the $25,000 mark. In essence, we would say that students whose parental income is less than $25,000 would generally be eligible for a basic grant based on income alone.

Of course there are other factors to consider, which I will cover in subsequent charts.

The next chart is chart 14. It shows the Congressional Budget Office estimates for fiscal year 1978 of the various programs, what they pay out in relationship to the family income. So, for example, what I am pointing out is that $1.9 billion in the basic grant program was paid to students whose family income was less than $15,000 and another $129 million was paid if the figure is raised to less than $25,000.

As you can see, the significance here is that——

Mr. GIBBONS. What chart is that?

Mr. KREDATUS. That is chart 14.

Mr. GIBBONS. Excuse me. Thank you.

Mr. KREDATUS. This significant data shows that 94 percent of the basic grant program is targeted toward lower income families and as the previous chart has indicated, social security student beneficiaries are clearly from lower income families.

To highlight one other program, the guaranteed student loan program shows that $331 million was paid to families with zero to $15,000 income, $172 million with family incomes of $15,000 to $25,000, and $27 million went to families with income over $25,000. This last category is significant in that social security student beneficiaries,

some of which have incomes in excess of $25,000, may be eligible for guaranteed student loans as a last recourse if they did not have grants available to them.

The next chart is chart 16. It summarizes the work that we have done by comparing social security student beneficiaries with the basic grant applicant file. As a result of our comparison, we found that of approximately 800,000 postsecondary students attending school in the 1976–77 year, 29 percent were eligible for a basic grant and 11 percent were ineligible for a basic grant. However, there are approximately 59 percent of the social security student beneficiaries who did not apply for a basic grant for reasons that we do not know, although from the previous chart you could see that social security student beneficiaries are prime candidates to receive basic grants from the basic grant program.

Mr. GIBBONS. I understand it is easier to get the money this way, isn't that the logical conclusion?

Mr. KREDATUS. Yes, one could conclude that.

Mr. GIBBONS. Less redtape.

Mr. KREDATUS. Less redtape, yes.

We estimate, incidentally, that if the 57 percent did apply for a basic grant, 71 percent of them, or roughly 7 out of every 10 students, would be eligible to receive a grant.

The next chart is chart 18. What we did was take a look at why social security student beneficiaries were ineligible for a grant. From the previous chart you will recall that it showed 11 percent were ineligible for a grant. These are the reasons why the student beneficiaries were ineligible for a grant. Clearly, the predominant reason is income is too high, whether it be the parental income being too high or the student income being too high.

The Office of Education has two basic categories depending on whether the student is dependent or independent of the parents. For those students who were parentally dependent, 62 percent of them had parents' whose income was too high; and for 26 percent of them their parents' assets were too high. An asset is a savings account, home equity, stocks, bonds, those types of things.

Mr. GIBBONS. Is it automobiles, too? Is an automobile considered an asset?

Mr. KREDATUS. No, it is not.

Mr. GIBBONS. That is a pretty accurate description of it then.

[Laughter.]

Mr. KREDATUS. The next chart is chart No. 19. It is a GAO estimate of those social security student beneficiaries whose social security student benefits were in excess of school costs during the academic year 1976–77. In essence, what we did to obtain this information was sum up for each and every student the benefits received for a 1-year period and we compared those benefits received during that 1-year period to the cost of the institutions that the individual students were attending. So it was an association of individual benefits with individual costs and I might point out, too, that cost includes tuition, living expenses, miscellaneous expenses, fees, books, counseling fees, things of that nature.

We subtracted all those costs out of the benefits to arrive at these numbers. In essence, we estimate that 40,000 social security student beneficiaries were receiving more than the cost of going to school.

As was highlighted in the testimony, a very few had benefits in excess of $2,200 over the cost of the education.

The next chart is chart 20 and what we did here was examine the relationship to the sum of the social security student benefits plus the basic grant that was expected to be received by each and every student in relation to the individual cost for that student.

In summary, what the data shows is that approximately 102,000 social security student beneficiaries were receiving more money than it cost to go to school. This shows how much more over the full cost that they were receiving. Again, when we combine benefits, social security and basic grant benefits, you can see that the number starts to grow of those who were receiving in excess of $2,200 over the cost.

Mr. PICKLE. I want to come back to that chart later.

Mr. KREDATUS. All right.

The next chart is chart 21. For this exercise what we did was try to determine from a sample of student beneficiaries, as Mr. Ahart stated earlier, that we have found what we conservatively estimate, was at least 50 percent of social security student beneficiaries who were availing themselves of one other program besides the social security student benefit program, and some as many as five.

What we did here was take one other program, the VA dependents educational assistance program, which I might add, should not be confused with the GI bill benefits. It is the VA program that we are talking about, which pays benefits to dependents of disabled and deceased veterans, not to the veteran himself.

What we did was sum up the VA benefits, the social security student benefits and the basic grant benefits, and subtracted out the total cost on an individual case basis. We found that 4,000 social security student beneficiaries were receiving benefits in excess of their total cost of going to school.

More dramatically, you can see that when you consider the three programs, 24 students were receiving benefits which exceeded cost by more than $5,000. This is, of course, tax-free money.

Mr. Chairman, that concludes my presentation.

Mr. PICKLE. What is the difference between this chart and the chart just before that I referred to?

Mr. KREDATUS. Chart No. 20 shows just those students who are receiving benefits from two programs, social security and the basic grant program. Chart 21 reflects social security, basic grant, and VA educational assistance benefits—three programs.

Mr. PICKLE. If on chart 20 you have 101,000 students receiving benefits in excess of their school costs, that is 101,000 out of how many students?

Mr. KREDATUS. It is out of approximately 210,000 social security student beneficiaries who were common to both programs, basic grant and social security. So we are saying that approximately 50 percent of the students are making money in excess of their school costs.

Mr. GIBBONS. Mr. Pickle?

Mr. PICKLE. No, no, go ahead.

Mr. KREDATUS. I would like to point out one other thing. The other students, those students who did not have enough benefits, when you consider the two programs, to meet their full costs, that the students whose benefits exceeded costs incur on the average $2,000 in school costs, but the students whose costs are greater than their benefits, incur school costs of $2,800 on the average.

In essence, one of the reasons a student is not making money, if you will, is he is going to a higher cost institution, an institution that costs more than students that are on this chart.

Rather dramatically, on the last chart, 4,079 of the total university of 4,613 students receiving benefits from three programs, received benefits which exceeded their costs. The remaining students, students not on the chart here, are students whose costs exceeded the benefits from the three programs.

The average school cost for the students who are making money from the three programs was $2,400. The students who did not have enough benefits from the three programs to cover their costs, were incurring costs of approximately $4,400.

What we are suggesting from this data is that the more benefits available to a student, the higher the costs of the institution that the individual chooses to go to.

Mr. GIBBONS. Let me ask you a basic question about this.

These last two charts cover the whole universe of all the students, is that right, or are they just a sample? You started off with a sample in Los Angeles and New York in the first charts or in the first part of your discussion.

I thought your study was based upon a sample to begin with. Now the figures that you have given us here are these extrapolations from those statistics or what?

Mr. KREDATUS. No, let me start with chart No. 20. These are not samples.

Mr. GIBBONS. These are not samples, OK.

Mr. KREDATUS. What we did was compare 800,000 social security student beneficiaries with every basic grant recipient, to see who was getting benefits under both programs. So it is no sample, it is done on a computer, a magnetic tape comparison, and the other chart, No. 21, was no sample, because it represented a comparison of 800,000 social security student beneficiaries with all basic grant recipients, and with all VA dependent educational assistance records for those who were 18–22 years of age—that part of the VA records common with the social security student beneficiary information.

Mr. GIBBONS. The order of recognition of members will be in the order in which the committee rules provide, as to their arrival.

Mr. Gradison will be first, Mr. Jenkins second, Mr. Pickle third, and Mr. Duncan.

The Chair got here first, so he will be first.

I want to repeat some of the things I said in the opening statement because some people came in since that time.

This is certainly not an exercise against students or against the social security system. It is the examination of the rather chaotic way we threw benefits at people in the mid-1960's without reconciling duplications, overlapping and the existence of other programs. As I said in the beginning, I was a member of the Education and Labor Committee and on the subcommittee that developed most of the student assistance programs in the 1960's. We never discussed, frankly never even heard of the social security program. If we had, we might have taken it into consideration in developing those programs.

What we are here examining now is how we can get the most for the student and the taxpayers through a multiplicity of Government programs and try to make some sense out of what is a rather chaotic

situation at the student assistance level. So, Mr. Gradison, you are the first questioner.

Mr. GRADISON. Mr. Chairman, I first want to be sure I understand the way in which these other programs are made available.

Is the Veterans Administration dependent educational benefits a needs test program?

Mr. KREDATUS. No; it is not. It is an entitlement program just like social security student beneficiaries program.

Mr. GRADISON. And the basic educational opportunity grants?

Mr. KREDATUS. Basic grant programs are needs programs as are almost all Office of Education programs.

Mr. GRADISON. In that instance would you go back to the chart which is the two-program chart that shows the social security plus the basic grant?

I don't understand how you could have an excess above expenses there and still be on both programs if one of the two programs is needs-tested.

Mr. KREDATUS. The basic grant program does not offset dollar for dollar for every dollar of social security student benefits paid. The benefits are considered as family income. In essence——

Mr. GRADISON. Under BEOG.

Mr. KREDATUS. By the basic grant program, yes. What they do is for every dollar that a social security student beneficiary receives in social security benefits, only a fractional part of that dollar is counted toward the basic grant, a very small portion. So consequently when you only count a portion of the dollar, he can have an excess benefit position.

Mr. GRADISON. I was looking over the options suggested to us by the CBO and others about how to deal with this situation. To throw out an alternative, I would like to ask your reaction to this, and this is where the social security benefits would be continued as they are now but would be reduced dollar for dollar by the other programs which are available to the beneficiaries, and that would be BEOG, the veterans' programs, and so forth.

Now, it would seem to me if we did that, we wouldn't be taking away the level of social security benefits from anybody; they would be entitled just as much as they are entitled today. We would, in effect, be requiring those who get the social security benefits to utilize other programs which are available. We would be assuring that, if there is an increase in social security grants—excuse me, that we would increase the social security grants if the other programs are diminished, and if the other programs are increased, which has been what has happened in the past, the social security portion would be reduced. And we would be shifting a fair amount of money, how much I don't know, from the payroll tax base to the general fund.

But since our responsibilities are pretty much limited to the social security aspect of this, I have been trying to think through focusing on that alone.

I wonder to what extent we would be able to deal with the very real problem that exists if we were, as I mentioned a moment ago, to continue the social security program but simply reduce the amount of the social security payment dollar for dollar by the amount of other Fed-

eral grants, not loans, but grants, which are available under present programs today.

Mr. KREDATUS. My initial reaction to that suggestion is that there seems to be a need for some sort of incentive for an individual to apply for a basic grant. Because what is happening now is that, in essence, 59 percent of the social security student beneficiaries did not apply for a basic grant, although it would seem as though, if they did apply, 7 out of every 10 students would be eligible.

How do we, in essence, require or mandate that a student go get the aid that he is probably entitled to?

Mr. GRADISON. Under the proposal I just threw out to get your reaction to it, the amount of social security grant would be reduced by the amount of the basic grant that is available. That is a pretty powerful incentive to go over and get that other grant.

Mr. KREDATUS. I see what you are saying.

Mr. GRADISON. You don't say you have to go after it, but you say that, if you are entitled to $1,000 a year from the BEOG under the program as written, you just reduce the social security grant by $1,000.

Now, the student would end up with the same amount at the end, and I grant there is more redtape, I am perfectly aware of this, but it would certainly help to minimize, if not eliminate, the duplicative aspect and in particular the situations you have mentioned in which it would pay a student to stay in school even if he flunked every course.

Mr. AHART. I might comment on that, Mr. Gradison.

We have not really studied that particular proposal. Just thinking about it as we were talking, administratively it would be extremely complicated because it would require Social Security to do a needs test on each dependent beneficiary to determine whether or not they were eleigible for other Federal grant programs. I would guess this would be a real burden for Social Security.

Second, as Mr. Kredatus pointed out, under the basic grant program the Office of Education does not treat the student benefit from Social Security as being the student's asset or money. They treat it as being a part of the family unit's income, which is the basic test for eligibility for the basic grant program.

So, you've got kind of a chicken and the egg thing here.

Mr. GRADISON. We have a conflict, because SSA doesn't pay it to the family, they pay it to the student.

Mr. AHART. The check goes to the student, that is correct.

Mr. GRADISON. Right.

Mr. AHART. So you have that conflict. Mr. Bynum might want to comment on what problems it might cause administratively. But, to me, it would seem complicated to administer. It's complicated enough already, as I mentioned before, for Social Security to find out whether or not the child is in school, unmarried, and all the other things which they have to consider in the test for eligibility for the social security benefit.

Mr. GRADISON. I have a final question. How would you work this out?

Mr. AHART. Well, I think that, as the Chairman pointed out in his opening statement, it's time to take a look at all the things we

have done in the past to try to get benefits to students and see if we can do a better job of articulating them. The administration has suggested a phaseout of this particular program for postsecondary education. We think our work to date supports that for several different reasons, one of which is to avoid the complications which we spell out in the charts.

Second, to some degree, when a child reaches 18 in a larger family, really in a family with more than three members, and gets a student benefit, it serves to dilute the amount of money which goes to the family because of the maximum benefits under social security.

So you have got that kind of tradeoff. I think out of the $1.8 billion that we are talking about for the next year, about 400 million—if you phased out the program all in one stroke, cut off the program now—would revert to the beneficiary family unit, because of that particular complication.

Approximately $300 to $400 million would be picked up by the basic grant program, and overall you would have a net savings to the trust fund of about $1.4 billion, and a net savings to the Government of about $1 billion. That is our rough calculation.

But the point is about $400 million of that would revert to the beneficiaries of the prime beneficiary, the family unit.

Mr. GRADISON. I understand your suggestion is simpler, but I am not sure it is as equitable, because it would seem to me the net effect, while the phaseout would eliminate cases where people get benefits way in excess of what they need for their schooling, that there would be a very large number that would get a lot less than they need for their schooling, that that is the net effect of it.

That depends on what school they go to, as was mentioned earlier. I understand that. But so long as we have the complexity of all these different programs on the books right now, I am really not clear in my own mind that the way to solve the problem is simply to eliminate one whole program.

I think we have to find some way to integrate them more intelligently than we have done.

I am still not clear as to why it would be so difficult to reduce the amount of social security payments. You say Social Security would have to make a determination. But not really. They could request that that information—they would have to get certain facts, I understand, from the applicant, which they don't have to get today. But I don't see why they can't transmit that information to the other agencies and say, "OK, under these circumstances, how much grant are you going to make available? We will subtract that from the SSA grant."

Mr. AHART. I am sure an information exchange could be set up. Of course, we did it by running it through a computer, against the benefit rolls, and against the needs test and the basic grant program, and so forth. As Mr. Kredatus points out, I don't know what the Office of Education, for example, would be able to tell the Social Security Administration how much John Jones or John Doe, or whoever, would be eligible for unless John Jones or John Doe had actually applied and they had run that through their eligibility process.

That gets complicated because, if he gets social security benefits, that gets cranked in as to what he would be eligible for—things are interactive, that is what I am saying.

Mr. GRADISON. I understand.

Mr. AHART. It would be very difficult to administratively work that out.

Mr. GRADISON. Thank you very much.

Thank you, Mr. Chairman.

Mr. ZIMMERMAN. I would like to make another point, Mr. Gradison.

It would seem to me you would be paying more social security benefits to a student going to a higher-priced school than to a school that has less cost, since the balance to be paid in benefits would be the difference between benefits under another program and school costs.

Mr. GIBBONS. That is the same thing we do with hospitals and doctors and everything else.

The social security system has become a great system of taking money from workers and shoveling it at people, and that is one thing that we have got to cure or else we are going to go broke in our generosity.

Oversight hearings on medicare have proved to me beyond a shadow of a doubt that social security is the greatest system for throwing money at a problem that man has ever created, without any regard to cost or need.

Mr. Jenkins.

Mr. JENKINS. Thank you, Mr. Chairman.

The chart that we have before us has nothing to do with high school or grade school students but is limited entirely to college?

Mr. KREDATUS. The only social security student beneficiaries who are associated with basic grant programs are postsecondary students. It does not include high school students.

Mr. JENKINS. Do any of the other charts that you have shown to the committee indicate a large number of students receiving more than the cost of their education? Does any such showing apply to high school or grade school students?

Mr. KREDATUS. While we do not specifically cover high school students, we would like to point out—mainly because we were dealing with postsecondary education programs—that social security did develop some cost information for the year, in its student survey in the year 1972–73. The three relevant facts for high school student beneficiaries in regard to cost are first, 95 percent of high school student beneficiaries are attending public school; secondly, 41 percent of the students said they had no cost of high school education. Thirdly, of the remaining 59 percent who said they did have some costs going to high school, the social security benefit was seven times as great as the cost of going to high school.

Mr. JENKINS. What is the average amount of the basic grant to a student?

Mr. KREDATUS. The average basic grant for the student beneficiaries that we have reviewed was $900.

Mr. JENKINS. The average basic grant is considerably less than the average social secuirity benefit to a student entitled to social security?

Mr. KREDATUS. Yes; if you are comparing averages to averages, the average annual social security benefit is roughly $1,700; the average basic grant is about $900.

Mr. JENKINS. You have 101,000 students who were receiving amounts in excess of their school costs. How many are receiving less than the cost of their educations?

Mr. KREDATUS. Approximately 105,000 students did not have enough in social security and basic grant benefits to meet their costs of education.

Mr. JENKINS. If the social security benefits were eliminated, that 105,000 would have their unassisted costs increased and would be hurt more than the other group.

Mr. AHART. I think the answer to that, Mr. Jenkins, is yes; they would probably lose some benefit. But, to the extent you take benefits away under this program, it would increase their entitlement under the basic grant program and perhaps other needs-test-based programs.

There is one thing we ought to point out about these numbers. There are a total of about somewhat in excess of 800,000 total student beneficiaries under social security. Of those, we had matches for 233,000.

Mr. KREDATUS. 233,000 in the applicant file; 218,000 were recipents.

Mr. AHART. 218,000 where we had matches, where they were receiving both social security benefits and basic grants.

Now, on chart 19 we pointed out that with social security benefits alone, some 40,000 of the 218,000 were getting more in social security benefits alone than the cost of their education. Now, there may be a lot of the other roughly 600,000 where we were not able to make matches where the social security benefits would exceed the cost of their education as well.

So that 40,000 is a universe of people that get both.

Mr. JENKINS. You indicated there would be a net savings of roughly $1 billion?

Mr. AHART. That is our rough calculation.

Mr. JENKINS. That would equate roughly 0.1 of the rate for social security payroll tax.

Mr. AHART. I am not sure I understood that last number.

Mr. JENKINS. If the proposal were adopted and if the social security tax rate were adjusted, it would mean a reduction of about 0.1.

Mr. AHART. I don't know. I don't have that information

Mr. JENKINS. All right.

Mr. AHART. I don't know if it would or not.

Mr. KREDATUS. The percentage effect on payroll taxes is 0.11 percent of payroll taxes, and that figure comes from the social security actuary.

Mr. JENKINS. Let me ask you one final question.

Of the estimated $1 billion in savings, how much would be diminished by increases in the basic grant program? Assume that 71 percent, I believe you indicated—that figure would probably rise if this proposal were adopted. How much more would it cost under the basic grant program?

Mr. AHART. It would be something over $300 million.

Mr. JENKINS. Making a net savings of roughly $700 million?

Mr. AHART. No. We start from a base of $1.8 billion. As I mentioned earlier, about $400 million of that would revert to the benefit of the family units——

Mr. JENKINS. Yes.

Mr. AHART [continuing]. Of the primary wage earner, primary beneficiary. Approximately $300-some million would be an increase in the entitlement under the basic grant program, leaving a net overall of about roughly $1 billion.

Mr. JENKINS. Thank you, Mr. Chairman.

Mr. GIBBONS. Mr. Pickle.

Mr. PICKLE. Thank you, Mr. Chairman.

I know you have other witnesses here, and we have a lot of testimony to receive, so I don't want to prolong the questioning on these charts. I think they have a lot of good information in them, and they should be studied. We are looking for facts here, of course, more than just trying to pass judgment on this at this point.

On one of the charts you showed earlier, I believe chart 13—would you refer to it? I want to ask you a basic question on it.

You pointed out that 89 percent of social security beneficiaries are in families with income under the $25,000 cutoff; that is, for basic grants.

Now, does this not indicate that, even with their social security payments, there is need for financial assistance, and that many would not go to school if they did not have the social security payments?

Mr. KREDATUS. The only real indication in which the students themselves were asked what is the likelihood of your attending school without your social security student benefits, 52 percent of the students said that they would go to school with or without the benefit, 33 percent said they would not go to school if they did not have the social security benefit, and the remainder had no opinion.

Of course, as I pointed out earlier, the significance of that data that social security gathered on the likelihood of school attendance was at a time when the basic grant program was not funding post-secondary benefits.

Mr. PICKLE. Fine. Now, we have benefits students have been receiving from the social security program, from the VA, and from the basic grants.

Mr. KREDATUS. Yes.

Mr. PICKLE. Need is clearly the criteria for the basic grant, but we have almost gotten away from that by raising the amount so high you don't get into need. We measure it by dollar figures

Your recommendation is that we cut out the social security program and continue the basic grant or the VA.

You could just as easily cut out the VA or the basic grant and keep the social security; could you not?

Mr. AHART. I think, Mr. Pickle, I would like to comment on that question.

First of all, it is not our recommendation as such that this program be cut out. This is a proposal by the administration to phase it out with respect to postsecondary school students and not high school students.

Mr. PICKLE. OK.

Mr. AHART. The question you raise is a good one. I think it gets back to the basic question which the chairman raised in his opening statement. How do we put all these together in a way which makes sense?

Yes; I think you could raise the same question about an unneedy veteran's dependent as you raise about an unneedy social security dependent, or as you raise about an unneedy civil service retirement dependent or unneedy people under other programs. We have many needs-tested programs that could take up the slack for people in almost any one of those income ranges. Even when you get to the higher ranges, you can get low-interest loans under the guaranteed student loan program to pick up that slack.

So, yes, I think the question is a good one. You could raise this kind of question about a number of programs, but I think the job which has to be done by the administration in total and by the Congress in total is to take a look at where we are now, having done all these things over the years, and see what makes sense to do from this point on.

Mr. PICKLE. Mr. Ahart, you are not only taking a look or review, you made a recommendation. You come out charging that we ought to take out the social security benefits.

So you have already passed that point as far as a recommendation is concerned.

You know, years ago the Social Security Administration stopped sending to colleges and to universities a form which was to be sent back to SSA, just to find that the students were in school and continuing their education. Now, I understand they stopped sending that and don't do that anymore.

Is that possible that that has caused a lot of laxness and a lot of duplication and a lot of unknown information?

Mr. AHART. As I mentioned in my statement, our look at the program indicated that, yes, the Social Security Administration had to do a better job of policing and administering the program. I don't know if back some years they did get this. They are implementing the system to get this very information because they need this; they need to know whether the beneficiary is or is not enrolled in school.

Mr. PICKLE. Well, how did you get all this information? Is it through the GAO? Did you go through SSA? Did you write to the students or did you write to the universities and colleges?

Mr. AHART. Most of the information on this chart is pulled from the Federal records or Federal data banks. The social security benefit roll, the basic grant benefit roll, the Veterans' Administration benefit roll, the information in the basic grant system which tells about the costs of the individual educational institution which the student is attending. In addition to that, we drew on information that Mr. Kredatus has pointed out in the charts that was developed in the study of 1972–73 by the Office of Research and Statistics of the Social Security Administration. And we used that as a base for making certain projections about the breakdown in funds in the 1978 year.

In addition to that, from the standpoint of the administration of the program, we did visit, ourselves, the GAO; we visited 119 educational institutions in the Los Angeles area and upstate New York area and went through student applicant files to get information.

Mr. PICKLE. The fact is, up until now, or at least for the past few years, there has been very little coordination between the SSA and the colleges and universities as to what students are in attendance or any other facts about the program; is that correct?

Mr. AHART. That is correct.

Mr. PICKLE. And you are recommending now that we phase out the student college program, and I take it that you are doing it because then the program will be directed to loans, when the Government might get money back, and if it comes from social security, it is gone, and it is just a minus, a loss; is that correct?

Mr. AHART. Well, as I indicated, if the program were cut out, there would be a net savings to the Federal Government. Again, I point out that we are not recommending to you any specific action. We are pointing out in our statement that we think the work we have done to date on our studies supports going the direction of the administration's proposal, phasing out either all or part of the benefits of this program.

Mr. PICKLE. Thank you, Mr. Chairman.

Mr. GIBBONS. Mr. Duncan.

Mr. DUNCAN. Thank you, Mr. Chairman.

Since high school is typically free through public schools, what was the rationale to begin with for extending benefits to the high school students originally?

Mr. AHART. Basically the Congress at the time, I think, believed, and with some justification I am sure, that a student, dependent upon the parent and still in high school, is not in a position to earn his own way in the world and should be counted as a dependent family member. I think originally the cutoff was 16 and extended until 18 if the child were still in school and it was raised to 18 regardless of whether he was in school. Now it's over 18 if they are still in high school or in postsecondary school up to age 22.

But the idea was that it was a family unit which the program was to support and that there was still a dependency relationship between the high school student and the family so long as he was still a full-time high school student.

Mr. DUNCAN. Do I understand correctly, if the student doesn't receive the benefit, it goes to the parent, is that correct, the recipient?

Mr. AHART. It gets complicated. There is a maximum benefit; first of all, there is a primary insurance amount which would go to the primary wage earner, the insured person. Beyond that there is a limit in the law of roughly 175 percent of that amount that can go to the total family unit.

So that, if you have a two-person family, they could go up to the 175 percent. If you get to a three-person family and you crank in benefits with dependents, and so on, you are still stuck with the 175 percent, but you reduce the benefits to each member.

Mr. DUNCAN. Suppose you have a family, say in the poverty range of 15 or so, and have two teenage children; if the children were taken off of the student benefits, then would that go back to the family unit, all of it?

Mr. AHART. As I understand it, Mr. Duncan, if you have three persons in the family unit and one of them is a student and he gets or she gets a check under this program, then the rest of the family unit

gets less. If you took that person out of this program and supported their educational costs through the basic grant program or other programs, then the part of that amount at least would revert to——

Mr. DUNCAN. Part or all of it?

Mr. AHART. It could be part or all depending on the——

Mr. DUNCAN. It has to be one of the two, doesn't it?

Mr. AHART. I think in that situation it would be all because I don't think anybody gets hurt because of the 175-percent limitation if there are only two people in the family.

Mr. DUNCAN. What we would be saving is, then, transferring one fund to the other if it goes back to the family.

Did GAO look into that?

Mr. AHART. As I pointed out in gross terms, we estimate that of $1.8 billion which is now going out under this program, of that approximately $400 million would revert to the benefit of the family units of the primary wage earner.

Mr. DUNCAN. Have you thought about the number of families you might push into welfare by taking this approach, taking this much money from them?

Mr. AHART. Well, since welfare is again based on a family unit or family income determination, and since a portion of——

Mr. DUNCAN. I personally know people who consider the income of their children's benefits as a student as part of the family income. And they are poor people, too.

Mr. AHART. I really don't know how the States all count this particular benefit in determining welfare benefits. But, in general, there would be a net gain to family units. I wouldn't think that that would push the remaining family units into the welfare situation if they were not already there.

Mr. DUNCAN. How wide was the survey taken, all over the country, in all the schools, or what?

Mr. AHART. As far as the information on the charts is concerned, it was a universal survey.

Mr. DUNCAN. How many States were surveyed?

Mr. AHART. That would have been—we ran the records for a total of 817,000.

Mr. KREDATUS. 800,000 social security student beneficiaries, approximately 2 million basic grant recipients, and approximately 60,000 VA dependents educational beneficiaries.

Mr. DUNCAN. How many responded?

Mr. KREDATUS. This was a total——

Mr. DUNCAN. You mentioned the percentage that said they would not, 33 percent they would not go to school.

Mr. KREDATUS. No; the social security student beneficiaries survey was collected, I believe, on approximately 3,000 students nationwide, and the results according to the Social Security Office of Research and Statistics were representative of approximately 588,000 student beneficiaries on the rolls at the time in 1972–73——

Mr. DUNCAN. You have lost me now.

You said 3,000 and ——

Mr. KREDATUS. They projected, took a sample of 3,000 and projected the results to approximately 588,000 student beneficiaries.

Mr. DUNCAN. Could you tell me how many you surveyed in Tennessee? How many of the 3,000?

Mr. KREDATUS. I don't know.

Mr. DUNCAN. Or Texas, or wherever it might be?

Mr. KREDATUS. No, I don't know that.

Mr. DUNCAN. Do you have information on that?

Mr. KREDATUS. I don't recall specifically.

Mr. DUNCAN. Somebody must have it.

Mr. AHART. If anybody would have it, it would be in the data maintained by the Office of Reserarch and Statistics of the Social Security Administration. We did not find it necessary for the purposes of our study to go back into that data to find out the geographical distribution of their nationwide sample.

Mr. DUNCAN. Well, can you?

Mr. AHART. I think you would have to address that question to Social Security as to whether they still have that basic data and have the geographic location of the 3,000 students.

Mr. DUNCAN. Someone from Social Security will be here to answer that, I presume?

Mr. BYNUM. I am not certain whether that data is available.

I am Bob Bynum, Mr. Chairman.

Mr. GIBBONS. If the gentleman will yield.

Mr. DUNCAN. I yield to the chairman.

Mr. GIBBONS. We are talking about an ancient survey that they made of 1972 data. They have not collected that data since that time. They only surveyed 3,000 of the recipients out of 500,000. At that time the Secretary of HEW had not even proposed the basic educational opportunity grants program. So the survey is really sort of irrelevant——

Mr. DUNCAN. That is what I thought. I agree with you on that, but they are putting great emphasis upon it.

Mr. DUNCAN. But a lot of things have happened since 1972.

Mr. GIBBONS. Sure have.

Mr. AHART. The 1972 data were used to get only a rough breakdown of different factors which were necessary to relate to this very current data that we got off the latest benefit rolls of the agencies that we took a look at. So the data on the charts are extremely current data for the most part, they are 1977 or 1978 data.

Mr. DUNCAN. Mr. Chairman, I yield back my time and thank you very much.

Mr. GIBBONS. Mr. Ford.

Mr. AHART. Mr. Duncan did raise a question about welfare and so on. If I might Mr. Chairman, Mr. Zimmerman could make a comment or two upon another educational benefit program that we support through the State-run aid to families with dependent children program.

Mr. ZIMMERMAN. Mr. Duncan, a number of States do provide benefits to children aged 18 to 21, who are attending school full time under their AFDC program. There could be an opportunity, if family benefits were reduced under elimination of the social security program, for these children to be picked up under a State-administered AFCD program.

Mr. DUNCAN. You couldn't save any money then, would you? It would go from one place to the other.

Mr. ZIMMERMAN. That is a possibility, sir.
Mr. DUNCAN. Thank you, Mr. Chairman.
Mr. GIBBONS. It would go from a payroll tax to general revenue tax.
Mr. DUNCAN. That's right.
Mr. GIBBONS. Mr. Ford.
Mr. FORD. Thank you, Mr. Chairman.

Mr. Ahart, I have one or two questions I would like to pose to you or somebody on your staff. The GAO conducted this study and investigation on this particular proposal that has been talked about by the administration. My concern now is who requested the GAO office to investigate or study this particular proposal? Was it Social Security——

Mr. GIBBONS. I did.

Mr. AHART. Well, actually the study we did was self-initiated, Mr. Ford, We took it on our own to begin the study. After we got into the study, as is our practice on self-initiated work, we try to keep the staffs of the congressional committees informed. I think it was last September we briefed the staff on this subcommittee and others on the results of our work to date, what we were doing, what our objectives were, the concerns which prompted us to go into the study.

At that time the chairman wrote to us and expressed an interest in being kept advised and looking forward to hearings on this issue sometime during this session of the Congress. So although it was self-initiated, there was a lot of committee interest in it and we have done our best to keep everybody of concern in the Congress informed.

Mr. FORD. How long ago are we talking about? When did you first start this?

Mr. AHART. Mr. Zimmerman, could you help me out on that?

Mr. ZIMMERMAN. This work began basically in the spring of last year when we started gathering basic information on two aspects of the program, the problems of administering the program under the existing system as well as the study dealing with possible alternative to financing the program under another type of system.

I might add that both studies began well in advance of our knowledge of the administration's plan to announce phasing out the program, which was done, I guess, a couple weeks ago.

Mr. FORD. Have you been in contact with the Social Security Administration in regard to the study or investigation by the GAO?

Mr. AHART. Again it is our practice when we make studies of this nature and other studies to try to keep the agencies concerned informed of what we are trying to do, keep them briefed on what we find. We don't like to come to the end and give them a report and say, you know, "Do this." Where we can, as they have in this case on the administration's proposal, they can be in a position to take some action, to make improvements where it is apparent from our work that those improvements need to be made.

So we do, as a regular practice—Mr. Zimmerman does brief the Commissioner and his staff often and has a fairly close working relationship so they know what we are doing and we do the same with the committee, so there won't be any surprises at the finish.

Mr. FORD. I know that the GAO is asked to provide us and the administration and others with factual information after you have completed studies or investigations. I am concerned about the Social

Security Administration as well as the administration over at the White House, you know, recommending four or five proposals in reducing the social security program.

I had an opportunity to serve on the Select Committee on Aging and we had the Commissioner of Social Security before us. I was a little disturbed because he could not tell the committee during yesterday's hearing why the administration recommended this proposal along with the four or five other proposals cutting back on the social security program.

I would just like to know, maybe not from you, Mr. Ahart, but from someone from Social Security, who initiated this particular proposal. You know, we see the facts that you are presenting here before this committee, but who recommended this? Who did they talk with? Who first recommended this proposal to the administration and why?

My people back in my district that I represent are certainly not included in these figures that you have on these charts before this committee. I have not been able to find a single constituent of mine who would say that we would be better off without this program.

I am not saying that you are indicating before this committee that we will be better off, or the students would be better off who are dependent upon their parents and who will be receiving some type of assistance from social security under disability or social security retirement. I would just like to know who first recommended this and let's not bring all the factual figures before the committee here today, but give us some other information why the administration is convinced, why it would be good to remove college or high school students from social security benefits.

Mr. AHART. Just a short answer to your question.

First of all, this is an issue which has been around for a while. The CBO made a study which was issued in May 1977, I think, which spelled out a number of options, about five of them, for how this program might be better articulated with the other educational assistance programs. Prior to the Carter administration, President Ford in the last months or last year of his administration, recommended pretty much a phaseout similar to the one that the Carter administration is recommending now.

I think President Carter last year in the first year of his term, or perhaps the second, suggested putting a cap on the amount of benefits which would make it consistent with the amounts available under the basic grant program. So it is an issue which is not brand new.

We got into it because we felt that there was a need for the Congress as well as the administration to have as objective information as possible, and we had the capability of putting these computer files together and seeing how the programs work together. We didn't do all the programs, we did just three.

There are other programs we could have checked but we are not recommending any specific action to the Congress. We do think that the work that we have done to date in this study does support action somewhat along the lines that the administration is proposing. But we don't have any clear recommendation for the Congress as to what the Congress should do.

Mr. Gradison mentioned a proposal which he has thought about. We talked about that a little bit. I am sure there will be other proposals. Other proposals will come before the Congress along with what the Carter administration is proposing, which the Congress in the final analysis will have to cope with and study what should be done.

Mr. FORD. One final question, Mr. Chairman.

Mr. Ahart, your figures indicate that many students who would be eligible for the BEOG aid do not bother to apply. Why is this?

Mr. AHART. Well, there could be several reasons. Perhaps they don't feel the need for it. Perhaps their family income situation is such that they would not be eligible for it. Perhaps because they are getting enough under this program to meet their educational costs and they don't have incentive to seek additional grant aid.

There are a lot of reasons. We have no way to break that out and say how many that didn't apply for one reason as opposed to another reason.

Mr. FORD. Your figures show that this program costs what?

Mr. AHART. This particular program, I think, currently is at about $1.6 billion.

Mr. FORD. $1.6 billion, and if we removed this program, don't you feel that the $1.6 billion would have to be added to the basic educational grant program?

Mr. AHART. As I mentioned earlier, perhaps before you came in, the $1.6 billion figure, which I think is the projected 1979 cost or 1978 cost, the rough estimates are that approximately $400 million of that would revert to the benefit of the family units from which these students come. Approximately $300 million would have to be picked up under the basic grant program, and there would be a net saving overall of approximately $1.1 billion.

Mr. FORD. Mr. Chairman, I have no further questions. I yield back my time.

Mr. GIBBONS. Thank you, Mr. Ford.

Let's go to chart 20, because I think it gets to the guts of this whole argument and what Mr. Ford was talking about. As I see it, we have a universe of about 800,000 students; is that correct?

Mr. KREDATUS. Yes, that is correct.

Mr. GIBBONS. Out of 800,000, 101,000 are receiving excess grants; is that right?

Mr. KREDATUS. Yes, Mr. Chairman, but I might point out that the 101,000 or 102,000 is in relation to about 210,000 students.

Mr. GIBBONS. So at least one of eight or perhaps more are receiving excess grants over their costs; is that correct?

Mr. KREDATUS. As an absolute miminum, I presume that is correct.

Mr. GIBBONS. That is absolute bottom-bottom-bottom line, at least one of eight, and perhaps a lot more than that are receiving grants in excess of their cost of education?

Mr. KREDATUS. Yes.

Mr. GIBBONS. Is that correct?

Mr. KREDATUS. That is absolutely correct.

Mr. GIBBONS. OK. At least 749 are receiving excess benefits as high as $2,200 a year, at least that, and it may be considerably higher than that, is that correct?

Mr. KREDATUS. Yes, that is correct.

Mr. GIBBONS. OK. Is there any other Federal program that provides educational benefits unrelated to education cost or academic progress? As I understand the social security program, benefits have nothing to do with education cost, and nothing to do with academic progress. Is there any other Federal program that——

Mr. AHART. Most of the money in Federal programs is needs-tested. Most of it other than this would require some showing of academic progress, and showing of cost of education. There are a number of programs, however, that do go along the lines of the Social Security Administration program such as the railroad retirement student beneficiary program, the Veterans' Administration student beneficiary program, the civil service retirement beneficiary program, and some others.

But, this would represent the bulk of the money that goes out without regard to cost of education or academic achievement of financial need of the individual.

Mr. GIBBONS. Let me ask you, is there any other program besides the social security program that has a celibacy test on it?

[Laughter.]

Mr. AHART. Perhaps my colleagues are more familiar. I don't know whether marriage cuts off the civil service beneficiary or railroad retirement beneficiary or not.

Mr. GIBBONS. Can you inform us from your research—can you tell us where the Ways and Means Committee or the Senate Finance Committee or that wonderful conference committee that sometimes writes laws—where did they come up with this one?

Mr. AHART. I think the rationale for having marriage cutoff benefit was once a child marries, he has cut off his dependency to his family unit.

Mr. GIBBONS. Was that born here in the Ways and Means Committee or somewhere else?

Mr. AHART. I don't know. I wouldn't want to blame it on you, Mr. Chairman, without research.

Mr. GIBBONS. I just wondered. Those probably occurred in the wonderful days of the closed door sessions back in the 1960's in which nobody really understood what was being legislated and there was very little discussion of some of these issues. I just wonder where they came from.

Mr. PICKLE. You talk about the married students. Is there any way for SSA to check up on when a student's benefits are terminated, when they marry?

Mr. AHART. Not a very good way. Mr. Zimmerman might want to comment on it as to how far we got into that in our test of the administration.

Mr. ZIMMERMAN. Basically social security relies on the student to report changes in events that would, in essence disqualify himself. We pointed out in our statement that a number of students had failed to report to social security that they were either no longer attending school or no longer going full time. I don't believe we did any work in terms of finding out if any of them got married in the meantime.

Mr. PICKLE. Do we have enough evidence to show if they don't report in one way or the other?

Mr. AHART. A number don't report or report incorrectly.

Mr. PICKLE. You say "a number." Is the majority not reporting?

Mr. AHART. I would say the majority of them report correctly.

Mr. GIBBONS. Report correctly?

Mr. AHART. Yes, sir.

Mr. GIBBONS. Thank you. The whole thing is that neither GAO nor SSA have an auditing process going on now to determine who is getting benefits, whether they need them, and so forth. There is no auditing procedure in existence, really.

Mr. AHART. As I indicated in my statement, after we discussed our findings with SSA, they took action to verify student attendance and so forth. But on the matter of academic progress, I think they can't really do anything without a change in the legislation. Then you have the problem of how you verify that. So it is a difficult problem, and there are things that can be done and we think ought to be done and SSA is moving in that directon.

Mr. GIBBONS. Slowly like the great Ice Age they are moving.

You did some actual auditing, didn't you, in the New York State area and in the Los Angeles area?

Mr. AHART. Yes; we did go out and we took a sample of students' financial aid records in the Los Angeles area and in the upstate New York area.

Mr. GIBBONS. Why were things so much different in Los Angeles than they are in Upstate New York? There were apparently some pretty substantial differences in the results. Is that because SSA is more relaxed in the Los Angeles area or is the lifestyle just more relaxed?

Mr. JOHANSON. I think the reason is the schools in the Los Angeles area require attendance be taken to get State aid. So it is easier for us to identify whether they were in school or not.

Mr. DUNCAN. Would the chairman yield?

Mr. GIBBONS. Yes, sir.

Mr. DUNCAN. Were those surveys taken in the private schools or public schools or where?

Mr. JOHANSON. Yes.

Mr. DUNCAN. Yes, what?

Mr. JOHANSON. In all the schools, private, vocational, public.

Mr. DUNCAN. What was the toatal number involved?

Mr. ZIMMERMAN. 119 schools.

Mr. DUNCAN. How many were private schools?

Mr. JOHANSON. We could insert that in the record. I don't have that here.

Mr. DUNCAN. Would you do that?

Mr. JOHANSON. Yes; we will.

[The data referred to follows:]

SCHOOLS VISITED BY GAO

The total number of schools GAO visited to review financial aid records and to verify school attendance was 119. Details related to this total are shown below for the two geographical areas covered during our review—Los Angeles, California and upstate New York.

	California	New York	Total
Private schools:			
College	13	31	44
Vocational	6	7	13
Total	19	38	57
Public schools:			
College	35	20	55
Vocational	7	0	7
Total	42	20	62

Note: The number of junior (2 yr) colleges included above was 56.

Mr. ZIMMERMAN. Another factor influencing on the results between the two localities is a larger percentage of students in the Los Angeles area were attending junior colleges and they seem to have a higher error rate than students attending 4-year colleges.

Mr. GIBBONS. Are there further questions before we go to the next witness?

Mr. DUNCAN. Mr. Chairman, I have a number of questions I would like to put in writing to the GAO, if I could, to be answered for the record.

Mr. GIBBONS. We will keep the record open for you to respond to them.

Mr. Ford.

Mr. FORD. Thank you, Mr. Chairman.

Were any personal interviews conducted in this? Did you talk personally with students or was all this through the records of students at these institutions?

Mr. JOHANSON. Not with respect to need as far as the cost of education, but we contacted all students that we found that were getting benefits that we had found had dropped out of the school they last said they attended. We contacted them to find out whether they were going to another school. We contacted most of the students and projected the results back to the students we did not talk to.

Mr. FORD. Most of the students that you talked with then had either dropped out——

Mr. JOHANSON. Yes.

Mr. FORD. What did you say about transferred?

Mr. AHART. Let me see if I can clarify it.

Where the social security records showed that the student was in school and we went to the school and found that the student was not enrolled, we contacted the student to see whether his eligibility was maintained because he had transferred and was enrolled in another school so that we could get valid information on the number of beneficiaries that were and were not in school and, in fact, eligible.

We did not try to contact those we found that were enrolled as they said they were enrolled.

Mr. FORD. How did you select these people?

Mr. AHART. This was a random sample of children in those institutions.

Mr. FORD. Were those names submitted by Social Security to your office?

Mr. AHART. I would have to get help from Mr. Johanson or Mr. Tim Fairbanks with us from the L.A. Regional Office on the precise way that we identified the students and took the sampling.

Mr. JOHANSON. We got a tape of all students getting benefits in certain zipcodes. We sampled through that.

Mr. DUNCAN. Would you yield?

Mr. FORD. Yes.

Mr. DUNCAN. Why didn't you go to any but the largest—did you go to any rurul States where attendance might be better or what?

Mr. JOHANSON. We discussed going nationwide, but it would have taken a great deal of time and effort to do it. We decided we would do it in limited areas where we could control the staff to look at the records.

Mr. DUNCAN. Why didn't you go to at least one small State?

Mr. AHART. What we tried to do——

Mr. DUNCAN. You took the two places that are not typical of the entire United States

Mr. AHART. What we tried to do in these reviews is to get the base that we can work with to find whether there are problems in the system and that is what we tried to do here, identify problems in the system of administering the program and if there are problems in Los Angeles and problems in New York, there are probably problems most everywhere else if they are truly systematic problems.

We found they were in this case.

Mr. DUNCAN. I thank my colleague for yielding.

Mr. JENKINS. Would the gentleman yield?

Mr. FORD. I yield to my colleague.

Mr. JENKINS. I would like to have clarified one thing that I still don't understand about this chart. You have 800,000 students, and the chairman indicated that 1 out of 8 at a minimum was receiving in excess of the costs of education, receiving both basic grants and social security, Now, are you saying that it is closer to one out of two than it is to one out of eight?

Mr. AHART. Let me answer that, if I might, Mr. Jenkins, there are really two qualifications on that 101,000 number. No. 1, it is not giving consideration to those social security beneficiaries who are not receiving basic grants as well, which would be roughly 600,000 of the 800,000.

Mr. JENKINS. That are not receiving the basic grants?

Mr. AHART. They are not receiving basic grants.

If they are not receiving basic grants as well as social security, they are not in the data base.

Mr. JENKINS. All right.

Mr. AHART. So there are some 600,000 out there, many of whom might well be receiving more only from social security or from social security in conjunction with some other program other than the basic grant program, which exceeds their costs.

Mr. JENKINS. Are you saying that of those students who received basic grants and social security one out of two are receiving more than the cost of their education?

Mr. AHART. That is roughly correct, yes.

Mr. JENKINS. Fifty percent of the students who received basic education grants and social security assistance are receiving more than the cost of their education?

Mr. AHART. They are.

Mr. JENKINS. Thank you.

Mr. FORD. One final question, Mr. Ahart. In this study did you talk with any national student associations or counsellors in conducting this study?

Mr. AHART. Let me ask my colleagues to comment on that, Mr. Ford.

Mr. KREDATUS. No, we did not talk to anybody. We did obtain data to a limited extent from the American Council on Education, their publications relative to statistics, to try to check the reasonableness of the data we did develop.

Mr. FORD. You didn't go to some of the institutions and talk with counsellors and those students that would fall in these categories?

Mr. KREDATUS. During the course of our review we did discuss with the financial aid officer at each school whether they were aware that the individual student beneficiaries were getting social security student benefits, and what their opinion was of whether or how to correct a problem like this.

In essence they had various views, as you might expect, as to whether to treat social security benefits as an educational benefit or whether it should be treated as an income maintenance-type benefit.

Mr. FORD. How many financial aid officers did you talk with?

Mr. KREDATUS. At the offices of approximately 119 schools.

Mr. FORD. 119 schools.

Mr. Chairman, I yield back my time.

[The following data was submitted by GAO in response to questions and a request for additional data from the subcommittee following the hearing:]

GAO RESPONSES TO QUESTIONS

1. During your study, did you determine the rationale for excluding married and part-time students from the program and if so, what was the rationale?

The 1965 amendments to the Social Security Act authorized payments of child's insurance benefits until the child reaches age 22, provided the child is attending a public or an accredited school, including a vocational school or college, as a full-time student after he reaches age 18. The rationale for excluding married students is that the marriage severs the parental dependency relationship. The rationale for excluding part-time students was by specific legislative design as expressed in both House and Senate Committee reports, presumably because it was felt that less than full-time attendance constituted a break in the parental dependency relationship.

2. Did you determine the rationale for including high school students?

The rationale for including high school students as contained in the House Ways and Means Committee and the Senate Finance Committee reports issued when the program was enacted follows:

"* * * The committee believes that a child over age 18 who is attending school full time is dependent just as a child under 18 or a disabled older child is dependent, and that it is not realistic to stop such a child's benefit at age 18. A child who cannot look to a father for support (because the father has died, is disabled, or is retired) is at a disadvantage in completing his education as compared with the child who can look to his father for support. Not only may the child be prevented from going to college by loss of parental support and loss of his benefits; he may even be prevented from finishing high school or going to a vocational school. * * *"

3. One of your charts [1] shows that 21 percent of all students receiving social security benefits are high school students. What is that in terms of numbers?

During academic year 1976–77, we estimate that 221,000 Social Security student beneficiaries (21 percent) were enrolled in high school out of 1,053,600 receiving benefits. For academic year 1977–78, we estimate 227,700 students were enrolled in high school of 1,084,300 students receiving benefits.

[1] The charts referred to here and throughout these questions and answers are those beginning on page 11.

4. As you noted in your testimony the Administration has proposed phasing out benefits to postsecondary students. You indicated that your study supports this proposal. Do you know the rationale for not terminating benefits to high school students and do you support this, in light of the data in one of your charts which shows that 95 percent of these students are in public schools and their school costs are very little?

We have not seen the formal Administration proposal for phasing out benefits to postsecondary students. The clearest rationale we have seen, however, by the Social Security Administration in support of a phase-out for postsecondary students follows:

"Student benefits were provided in 1965 on the presumption that a student age 18–22, like a child under age 18 or disabled, is dependent on his or her parent for support and loses a source of support when the parent retires, becomes disabled, or dies. At the same time, though, once a child completes his secondary education and attains the legal age of majority—increasingly regarded as 18, rather than 21, as reflected in the change in the voting age requirement—the person should be regarded as an adult, financially and otherwise responsible for himself, and that such a presumption of "dependency" is not valid. Student assistance should be provided through educational assistance programs not through an income maintenance program. A number of programs have been established since 1965 that provide educational assistance—such as the Basic Educational Opportunity Grant program which provides educational assistance for postsecondary students based on their individual and family financial circumstances."

In essence, the Social Security Administration views student beneficiaries as dependents until they complete high school.

We believe that most high school student beneficiaries are receiving far more in Social Security benefits than is needed to meet school costs. However, this does not mean that high school students are still not dependent on the family. Thus, the main question to be decided by the Congress is whether dependency should be related to an age requirement or to the completion of school.

5. You also noted that the Administration proposed a 4-year phase out of postsecondary benefits. Why is it necessary to phase out these benefits over a 4-year period rather than just terminating them say in 1980?

It is not necessary that student benefits be phased out. Nevertheless, such a proposal does seem to provide an orderly transition for those students needing financial help. Our review has shown that 59 percent of postsecondary students did not apply for a Basic Grant, although 7 out of every 10 students are estimated to be eligible. Possibly, these students may be unfamiliar with the student assistance process and some time period may be required for familiarization. However, a principal disadvantage of a phase out is that excess benefits would continue to be paid.

6. You stated that most college students would be able to obtain some other kind of educational assistance if their Social Security benefits were terminated.

(a) Did you determine the adequacy of the assistance from other programs in terms of school cost?

The basic premise of Office of Education student aid programs is that students and their families are primarily responsible for the cost of postsecondary education. Once it is determined that the student needs additional assistance, the financial aid officer is responsible for helping the student meet the cost of education with financial resources available at the school. These resources may include assistance from Federal programs such as Supplemental Educational Opportunity Grant, College Work Study, and National Direct Student Loan. In addition, assistance may be available from school funds for various private scholarships which the school administers. The student may also receive a Basic Educational Opportunity Grant and assistance from a State grant or loan program. Some of these State grant programs are partially financed with Federal funds under the State Student Incentive Grant program. Finally, the student may receive a Guaranteed Student Loan.

The above mentioned programs are generally considered adequate to meet the student's need for financial assistance although availability of funds for these programs may vary by school and geographical area. Even though the Basic Grant is limited to one-half of educational costs, it is the responsibility of the financial aid officer, as pointed out above, to use whatever other resources are available to meet the student's remaining need. The degree to which students receive aid from multiple sources was demonstrated during our review of 466 Social Security students sampled at 119 postsecondary schools. This review

showed that 50 percent of the students received assistance from 1 to 6 sources in addition to their Social Security benefits (see Chart 24). Presently, it is not the general policy of the Federal Government to provide assistance to meet all educational costs.

(b) Did you determine the number of college students that would not be eligible for any other kind of assistance and whether they are all from higher income families?

Census Bureau data indicates that for 1977, 11 percent of the Social Security student beneficiaries had parental income greater than $25,000. Consequently, we estimate that for the 1979–80 school year, 11 percent of Social Security postsecondary students would generally be precluded from receiving assistance from Office of Education needs-based programs. While income is the principal reason Social Security student beneficiaries did not need Basic Grants, there are other reasons as well (as shown on Chart 18). However, under the Guaranteed Student Loan program, need is not an eligibility factor and undergraduate students, regardless of parental income, can borrow up to $2,500 per year (graduate students $5,000).

7. Please provide for the record, your estimates of the revenue and cost effects and net savings under:

(a) The Administration's proposal when fully implemented (1985) as well as for each year (1980–84) along with the estimates or assumptions used concerning the number of students covered under each educational program, etc.

The Social Security Administration provided the following estimates of the savings to the Social Security Trust Funds:

Fiscal year:	*Millions*
1980	$170
1981	681
1982	1,207
1983	1,593
1984	1,840

These savings assume a phase out over a 4-year period for those children age 18–22 attending postsecondary school. This proposal would eliminate entitlement to the benefits for anyone who attains age 18 in or after September 1979, and for anyone who is 18 before September 1979, who was not previously entitled.

They further estimated that 380,000 new students would be affected in the first year (1980) of this phase out. No other estimates are presently available on the number of students affected in the other years.

The Social Security Administration and the Office of Education are presently preparing detailed estimates of program impact.

(b) The proposal to terminate all Social Security student benefits in fiscal year 1980.

We estimate a proposal to terminate all Social Security student benefits, including high school students, in fiscal year 1980 would result in a $1.625 billion savings. The following discusses the key factors in arriving at this estimate:

EFFECT ON SOCIAL SECURITY TRUST FUNDS

The estimated Social Security payments to about 1.144 million student beneficiaries in 1980 will be $2.391 billion. Of this total payment, we estimate $478 million will be redistributed to other Social Security family members. Thus, the net savings to the Social Security Trust Funds will be $1.913 billion.

These estimates assume no growth in the number of student beneficiaries from 1978; however, the benefits are expressed in expected 1980 dollars. The amount expected to be redistributed to other family members is based on Social Security actuarial data.

EFFECT ON BASIC GRANT PROGRAM

The estimated Basic Grant payments to social security students in 1980 will be $487 million. Of this total, we estimate $199 million will be paid if the Social Security student benefit program is not terminated. Thus, the increased cost to the Basic Grant program from terminating the Social Security program is estimated to be $288 million. The $487 million assumes that all postsecondary students, of the 1.144 million Social Security students, apply for a Basic Grant. The above data uses Office of Education expected 1980 participation and eligibility rates for the Basic Grant program based on historical experience.

NET EFFECT ON GOVERNMENT

The estimated net effect of terminating the Social Security student benefit program in 1980 to the Government, is a savings of $1.625 billion. This was determined by reducing the net Social Security savings of $1.913 billion by the increased Basic Grant costs of $288 million.

No data is currently available to reliably estimate the increased cost in other Office of Education programs, such as the Supplemental Educational Opportunity Grant, and College Work Study Programs.

(c) If possible, please provide estimates of the effects of eliminating the student benefit program but covering 18 year old high school students under the dependents provision (for FY 1980).

The estimated net savings from eliminating the Social Security student benefit program, but continuing to pay benefits to 18 year old high school students is $1.260 billion for fiscal year 1980. Shown below are estimated net savings from terminating the Social Security student benefit but continuing to cover the high school students at different age groupings:

ESTIMATED NET SAVINGS TO GOVERNMENT BY CONTINUING TO COVER HIGH SCHOOL STUDENTS

[In millions]

	Students age 18	Students ages 18 and 19	Students ages 18, 19, and 20
Estimated total student benefits	$2,391	$2,391	$2,391
Less: Payments to high school students age:			
18	456		
18 and 19		575	
18, 19, and 20			602
	1,935	1,816	1,789
Less: Amounts redistributed due to family maximum rule	387	363	358
	$1,548	$1,453	$1,431
Less: Increase in basic grant expenditures	288	288	288
Net governmental savings	1,260	1,165	1,143

Note: The above breakout for high school age was based on the most recent available social security data. This data shows no social security high school students after age 20.

During our testimony, we estimated savings to be about $1.1 billion if post-secondary student benefits were eliminated. This assumes that benefits would be paid to all high school students, not just those 18 years of age.

(d) If possible, please provide estimates of the effects (on costs and on students) of considering Social Security benefits as income to the student for BEOG purposes and for other educational assistance programs.

Currently, the Basic Grant program already considers Social Security benefits as income to students for all independent students. As pointed out on chart No. 1, there were 24,600 Social Security student beneficiaries of 233,160 who applied for a Basic Grant during academic year 1976–77, who were considered independent.

For those students considered dependents by the Basic Grant program, the student's Social Security benefit is presently considered as income to the parents in determining the Basic Grant amount. This income is "factored" down to consider such things as family size, and Federal income taxes paid, thereby offsetting the Social Security benefit income partially or, possibly totally, depending upon an individual's circumstances. Currently, the dependent student's income (not Social Security benefits) is not considered in determining the Basic Grant amount. Therefore, removing the Social Security student benefit from the current consideration as parental income, and considering it as income to the student, would only result in increased Basic Grant amounts.

Thus, this alternative would not preclude students from receiving benefits in excess of costs and, in fact, would only aggrevate that situation.

8. You indicated that less than half of the Social Security students that could have applied for OE's Basic Grant program did so. Do you think that if the Social Security benefits are terminated, those students that didn't bother to apply for a Basic Grant will do so?

If the Social Security student benefit program is terminated in the 1979–80 academic year, we estimate 7 out of every 10 students will be eligible to receive a Basic Grant. However, there is no data presently available to predict how many will apply for the Grant. In this regard, it is interesting to note that 2 percent of Social Security student beneficiaries, or about 15,000 students, who applied and were eligible to receive a Grant never claimed the money—for reasons unknown. Nevertheless, we believe that if the Social Security student program is terminated, most students will apply for Basic Grants because of a need for some financial assistance.

9. Are you aware of anything that can be done by SSA and OE administratively to insure that Social Security benefits are more fully considered under OE's programs?

Basic Grants uniformly consider family income and resources with a formula designed to assure equitable treatment of students throughout the country.

The formula for determining a students' Basic Grant must be approved annually by the Senate Subcommittee on Education, Arts and the Humanities of the Committee on Human Resources, and the House Subcommittee on Postsecondary Education of the Committee on Education and Labor. Because the current formula treats all Social Security benefits as parental income for the dependent student and student income for the independent, any change in treatment would have to be approved by the Subcommittees. However, as pointed out, a substantial number of students are, in essence, making a profit going to school under this treatment.

Two alternative treatments of these benefits, subject to Congressional approval, are:

Counting the Social Security student benefits as student income or as a student asset for the dependent student. As a practical matter, treating the benefit as income to the dependent student would mean an increase in the Basic Grant amount since dependent student income is not counted in determining the Grant; consequently, students could still receive benefits in excess of school costs. However, if the Social Security student benefit were considered a student asset, then one-third of the benefit would be used in computing the Basic Grant because students' assets are currently considered in that manner.

Offsetting the Basic Grant with the amount of the student's Social Security benefit or vice versa. Offsetting the Basic Grant with the Social Security benefit would reduce the Basic Grant expenditures, but would not alleviate any of the Social Security Trust Fund financing difficulties. Offsetting the Social Security benefit with the amount of the student's eligibility for a Basic Grant would be administratively burdensome for Social Security. Moreover, the process for determining the amount of a student's Basic Grant is complex and includes data not presently collected by Social Security, such as school cost, parental income and assets, and student assets.

ADDITIONAL INFORMATION REQUESTED

As you recall, some questions were raised about the differences in educational costs cited by GAO as opposed to the American Council on Education. We would appreciate your review of their data and your analysis of the reasons for such differences if possible.

The only available comprehensive cost data which specifically relates to Social Security student beneficiaries came from the Office of Education Basic Grant records for the 1976–77 school year. We wish to strongly emphasize that the cost data we examined reflected total actual educational cost as computed and reported by the institutions the students were attending. Those Social Security student beneficiaries who did not receive Basic Grants were not included in our data (Chart 15). Thus, the extent Social Security student beneficiaries who filed for a Grant attend schools and incur different costs than those who do not file for a Grant, is not reflected in our data.

It is significant to note however, that the 218,273 Social Security student Beneficiaries who were also Basic Grant recipients attended 3,856 different schools. To show the schools these stduents attended with the related average school cost, we are providing,

the 100 most frequently attended schools (enclosure 1),

the 100 schools with the greatest average school cost, for schools which had more than 10 Social Security student beneficiaries (enclosure 2), and

the 100 schools with the smallest average school cost, for schools which had more than 10 Social Security student beneficiaries (enclosure 3).

These three enclosures provide a unique insight into the types of schools Social Security students attended and their actual costs of attendance. For example, the top 100 most frequently attended schools included: Pennsylvania State University, University of Puerto Rico, Ohio State University, Temple University, Kent State University, University of Michigan, and California State University-Long Beach. Examples of some schools included with high costs included Princeton University, Duke University, George Washington University, and Johns Hopkins University.

On February 8, 1979, Mr. Saunders presented four cost figures developed by the American Council on Education showing average cost figures for public and private universities, and 2 year and private 4 year institutions. We noted that the cost figures he introduced were for the general student population in 1980–81 year, whereas the cost figures we supplied were actual costs incurred by Social Security student beneficiaries during academic year 1976–77. Moreover, Mr. Saunders' data is not sufficiently detailed to enable any type of comparison because average costs vary significantly even within the same type of schools. For instance, data obtained from the College Scholarship Service of the College Board for academic year 1978–79, shows that the average cost for a student commuting to a public 4 year school is $2,604 compared with an average cost of $3,273 for a student living in private housing while attending a public 4 year school.

Data provided in chart 15 shows 66.1 percent of the estimated 207,537 Social Security student beneficiaries incurred costs ranging from $1,651 to $2,700. Further analysis of the estimated 207,537 students shows the majority were enrolled in public institutions. Further, comparison of either Mr. Saunders' average school cost figures or the College Board's figures with our actual student costs will result in improper conclusions being drawn because the average school costs have not been weighted to take into consideration large numbers of students at inexpensive schools and small numbers of students at expensive schools.

Presented below is more comprehensive cost data about the general student population contrasting the 1976–77 school year with 1978–79. The costs data quoted was extracted from the 1976–77 and 1978–79 publications entitled "Student Expenses at Postsecondary Institutions" of the College Scholarship Service of the College Board.

Academic year	Type of institution				
	Public 2 yr	Private 2 yr	Public 4 yr	Private 4 yr	Proprietary
Average costs for resident students living in institutional housing:					
1976–77	$2,454	$3,907	$2,790	$4,568	$4,238
1978–79	$2,666	$4,264	$3,054	$5,110	$4,580
Percentage increase	8.6	9.1	9.5	11.9	8.1
Average costs for resident students living in private housing:					
1976–77	$2,722	$4,111	$2,989	$4,758	$4,304
1978–79	$3,089	$4,601	$3,273	$5,298	$4,744
Percentage increase	13.5	11.9	9.5	11.3	10.2
Average costs for commuting students:					
1976–77	$2,223	$3,595	$2,448	$4,141	$3,726
1978–79	$2,426	$3,922	$2,604	$4,577	$4,151
Percentage increase	9.1	9.1	6.4	10.5	11.4

100 SCHOOLS WITH THE GREATEST NUMBER OF SOCIAL SECURITY/BASIC GRANT STUDENT BENEFICIARIES ATTENDING

School name (type of control)	Number students attending	Average student cost	Total SSA benefits	Total BEOG benefits	Total combined benefits	Total student cost	Benefits exceed costs	Costs exceed benefits
City University of New York (public)	7,127	2,343	11,042,500	6,869,100	17,911,700	16,703,100	1,208,600	.....
State University of New York (public)	4,225	2,692	6,879,100	4,077,400	10,955,500	11,374,100	.....	417,100
University of Puerto Rico (public)	2,831	1,702	2,419,400	2,362,600	4,782,100	4,819,200	.....	37,100
Pennsylvania State University (public)	1,847	2,629	3,217,200	1,680,000	4,897,200	4,855,900	41,300	.....
Inter-American Univ. Puerto Rico (private)	1,408	2,538	1,125,700	1,734,900	2,860,700	3,574,500	.....	713,800
Jackson State University (public)	1,159	2,007	1,180,400	1,106,800	2,287,300	2,326,300	.....	69,000
City College—Chicago (public)	1,097	1,701	1,675,900	788,200	2,464,200	1,866,800	597,400	.....
Southern University A & M College (public)	960	1,929	1,077,100	855,400	1,932,600	1,852,400	80,200	.....
Miami—Dade Junior College (public)	919	1,856	1,283,600	753,300	2,037,000	1,706,400	330,600	.....
Ohio State University (public)	873	2,487	1,460,100	813,100	2,273,300	2,171,500	101,800	.....
St. Louis District Junior College (public)	845	1,978	1,323,300	706,200	2,029,600	1,671,500	358,100	.....
University of Kentucky (public)	808	1,946	1,217,500	664,600	1,882,100	1,572,500	309,600	.....
Michigan State University (public)	790	2,550	1,326,700	756,800	2,083,600	2,014,800	68,800	.....
Rutgers State University of New Jersey (public)	758	2,717	1,256,100	740,000	1,996,200	2,060,000	.....	63,800
San Antonio Union Junior College (public)	714	1,650	862,500	520,300	1,382,900	1,178,200	204,700	.....
University of Pittsburgh (public)	695	2,947	1,209,100	633,700	1,842,900	2,048,800	.....	205,900
North Carolina A & T State University (public)	662	2,174	802,600	643,700	1,446,400	1,439,600	6,800	.....
Grambling State University (public)	626	1,962	710,400	574,900	1,285,400	1,228,600	56,800	.....
Wayne State University (public)	622	2,446	1,024,600	620,600	1,645,300	1,521,700	123,600	.....
Mississippi Valley State College (public)	616	1,934	563,800	574,700	1,138,500	1,191,700	.....	53,200
Fund. Ed. AG Mendez, Puerto Rico (private)	604	2,478	484,100	735,500	1,219,700	1,497,100	.....	277,400
Cuyahoga Community College (public)	602	1,834	955,400	487,000	1,442,500	1,104,300	338,200	.....
Alabama State University (public)	600	2,032	655,600	570,100	1,225,700	1,219,300	6,400	.....
Texas Southern University (public)	599	2,071	908,600	580,200	1,389,800	1,240,900	148,900	.....
North Carolina Central University (public)	593	2,128	716,500	568,400	1,284,900	1,262,300	22,600	.....
Wayne County Community College (public)	579	1,987	878,200	495,900	1,374,200	1,150,900	223,300	.....
University of Cincinnati (public)	578	2,426	892,300	564,200	1,456,500	1,402,500	54,000	.....
Florida A & M University (public)	571	2,285	716,800	569,700	1,286,500	1,304,900	.....	18,400
Norfolk State College (public)	567	2,081	738,400	536,400	1,274,800	1,180,000	94,800	.....
Prairie View A & M College (public)	565	2,306	679,400	603,600	1,283,100	1,303,100	.....	20,000
Morgan State College (public)	562	2,551	808,000	584,800	1,392,800	1,433,800	.....	41,000
Southern Illinois University (public)	553	2,376	883,500	532,300	1,415,800	1,314,200	101,600	.....
University of Massachusetts (public)	552	2,433	908,200	471,900	1,380,200	1,343,100	37,100	.....
Community College—Allegheny (public)	548	2,008	1,007,400	390,700	1,398,200	1,100,600	297,600	.....

100 SCHOOLS WITH THE GREATEST NUMBER OF SOCIAL SECURITY/BASIC GRANT STUDENT BENEFICIARIES ATTENDING—Continued

School name (type of control)	Number students attending	Average student cost	Total SSA benefits	Total BEOG benefits	Total combined benefits	Total student cost	Benefits exceed costs	Costs exceed benefits
Tennessee State University (public)	542	2,231	698,200	551,100	1,249,400	1,209,500	39,900	----------
Indiana University (public)	538	2,355	889,400	493,800	1,383,200	1,267,300	115,900	----------
University of Southwestern Louisiana (public)	529	1,899	646,000	436,000	1,082,100	1,004,600	77,500	----------
South Carolina State College (public)	527	2,019	627,600	512,100	1,139,100	1,064,200	74,900	----------
Alcorn State University (public)	526	1,921	486,800	479,800	966,700	1,010,500	----------	43,800
Alabama A & M College (public)	516	1,906	630,700	462,500	1,093,200	983,600	109,600	----------
Illinois State University (public)	515	2,208	788,900	478,600	1,267,500	1,137,400	130,100	----------
University of Illinois—Chicago Cir. Campus (public)	495	2,188	820,800	455,700	1,276,600	1,083,500	193,100	----------
University of Arkansas (public)	492	1,901	489,100	461,600	950,700	935,300	15,400	----------
Community College of Baltimore (public)	486	1,863	770,300	407,400	1,177,700	905,800	271,900	----------
Community College of Philadelphia (public)	480	1,987	736,800	404,500	1,141,400	953,800	187,600	----------
Eastern Kentucky University (public)	475	1,885	667,100	392,600	1,059,800	895,500	164,300	----------
Northeastern University (private)	475	3,680	759,000	463,800	1,222,900	1,748,300	----------	525,400
University of Michigan (public)	474	2,640	804,200	444,100	1,248,400	1,251,700	----------	3,300
Indiana University of Pennsylvania (public)	466	2,227	829,000	375,800	1,204,800	1,038,200	166,600	----------
Florida State University (public)	464	2,290	649,800	446,100	1,095,900	1,062,600	33,300	----------
Northeast Louisiana University (public)	464	1,893	570,400	392,400	962,900	878,600	84,300	----------
Virginia State College (public)	461	2,214	577,900	462,300	1,040,300	1,020,800	19,500	----------
Kent State University (public)	455	2,489	801,000	435,800	1,236,900	1,132,800	104,100	----------
University of Florida (public)	446	2,306	701,400	403,500	1,105,000	1,028,600	76,400	----------
Youngstown University (public)	446	2,244	794,100	391,100	1,185,200	1,000,900	184,300	----------
Tuskegee University (private)	429	2,994	533,900	523,000	1,057,000	1,284,500	----------	227,500
Benedict College (private)	428	3,451	492,500	561,600	1,054,100	1,477,100	----------	423,000
University of Akron (public)	422	2,312	763,800	386,400	1,150,200	975,900	174,300	----------
Pan American University (public)	418	1,731	384,100	339,400	723,500	723,900	----------	400
University of New Mexico (public)	414	2,158	567,400	366,900	934,300	893,800	40,500	----------
Dallas County Community College (public)	412	1,684	623,500	209,700	833,200	694,200	139,000	----------
Louisiana State University (public)	408	1,971	524,200	332,900	857,100	804,400	52,700	----------
Shelby State Community College (public)	400	1,758	486,400	322,800	809,300	703,300	106,000	----------
Western Kentucky University (public)	399	1,942	580,300	335,500	915,800	775,200	140,600	----------
University of Alabama (public)	392	2,315	570,400	366,000	936,400	907,800	28,600	----------
Arkansas State University (public)	389	1,768	480,200	311,100	791,400	687,800	103,600	----------
University of California—Los Angeles (public)	388	2,164	590,700	343,800	934,500	839,700	94,800	----------
University of Minnesota (public)	388	2,402	646,200	356,300	1,002,500	932,200	70,300	----------
University of Illinois at Urbana (public)	383	2,360	667,000	320,300	987,300	904,200	83,100	----------

100 SCHOOLS WITH THE GREATEST NUMBER OF SOCIAL SECURITY/BASIC GRANT STUDENT BENEFICIARIES ATTENDING—Continued

School name (type of control)	Number students attending	Average student cost	Total SSA benefits	Total BEOG benefits	Total combined benefits	Total student cost	Benefits exceed costs	Costs exceed benefits
Indiana State University—Terre Haute (public)	382	2,310	625,500	355,800	981,400	882,500	98,900	.....
University of California—Berkeley (public)	380	2,103	533,200	314,900	848,100	799,500	48,600	.....
Morehead State University (public)	377	1,859	518,000	320,200	838,300	701,100	137,200	.....
California State University—Long Beach (public)	376	1,744	564,500	292,900	857,400	655,800	201,600	.....
Albany State College (public)	376	2,063	413,700	370,000	783,700	775,800	7,900	.....
Arizona State University (public)	373	2,294	598,400	329,600	928,100	855,700	72,400	.....
Memphis State University (public)	373	2,011	509,000	180,800	689,800	750,300	.....	60,500
ITT Technical Institute (private)	371	4,173	562,000	315,900	877,900	1,548,400	.....	670,500
Delgado Junior College (public)	365	1,762	509,200	187,000	696,200	643,400	52,800	.....
New Mexico State University (public)	357	2,078	425,000	317,300	742,400	742,200	200	.....
San Jose State University (public)	353	1,693	486,400	262,800	749,300	599,800	149,500	.....
University of Texas-Austin (public)	353	1,994	514,800	300,200	815,100	704,100	111,000	.....
University of South Carolina (public)	348	2,252	525,500	324,800	850,300	783,900	66,400	.....
Northern Illinois University (public)	347	2,121	606,600	304,900	911,500	736,300	175,200	.....
Purdue University-Lafayette (public)	345	2,466	583,700	318,000	901,800	851,000	50,800	.....
University of Maryland—College Park (public)	345	2,942	536,700	356,100	892,800	1,015,300	.....	122,500
University of Texas—El Paso (public)	345	1,833	440,800	284,300	725,200	632,400	92,800	.....
Fordham University (private)	341	4,629	572,200	358,600	930,800	1,578,700	.....	647,900
California State University—(public)	334	1,705	466,000	248,900	714,900	569,500	145,400	.....
Savannah State College (public)	333	2,012	452,500	316,800	769,400	670,300	99,100	.....
Ball State University (public)	333	2,321	553,200	296,700	849,900	773,000	76,900	.....
Mississippi State University (public)	333	2,166	472,200	305,400	777,700	721,500	56,200	.....
Western Michigan University (public)	330	2,469	554,500	317,400	871,900	814,900	57,000	.....
Winston-Salem State University (public)	330	2,290	419,900	337,000	756,900	756,000	900	.....
University of Wisconsin (public)	327	2,219	503,900	277,500	781,500	725,700	55,800	.....
Central Michigan University (public)	321	2,376	533,800	285,900	819,700	762,800	56,900	.....
Bowling Green State University (public)	318	2,581	519,700	302,500	822,200	820,800	1,400	.....
University of Oklahoma (public)	316	2,076	455,500	274,200	729,700	656,100	73,600	.....
St. John's University (private)	315	3,929	556,200	294,300	850,600	1,237,900	.....	387,300
Los Angeles City College (public)	311	1,508	433,300	118,900	552,200	469,200	83,000	.....
Texas A & I University (public)	311	1,769	377,700	259,900	637,700	550,400	87,300	.....
Grand total	64,316	.....	91,263,000	58,722,800	149,990,900	145,036,400	.....	.....

100 SCHOOLS WITH HIGHEST AVERAGE COST FOR SOCIAL SECURITY/BASIC GRANT STUDENT BENEFICIARIES

School name	Average student cost	Students attending	Total SSA benefits	Total BEOG benefits	Total combined benefits	Total student cost	Costs exceed benefits
Massachusetts Institute of Technology	7,275	70	108,800	63,700	172,600	509,300	336,700
Dartmouth College	7,029	55	88,900	54,080	142,900	386,600	243,700
Princeton University	7,003	81	137,100	80,900	218,100	567,300	349,200
Yale University	6,947	82	128,600	86,900	215,500	569,700	354,200
Stanford University	6,845	68	103,300	69,200	172,600	465,500	292,900
Tufts University	6,644	65	100,400	61,000	161,400	431,900	270,500
California Institute of the Arts	6,625	12	10,600	16,200	26,900	79,500	52,600
Wesleyan University	6,568	41	70,600	37,300	107,900	269,300	161,400
Rensselaer Polytechnic Institute	6,440	59	115,200	42,400	157,700	380,000	222,300
Skidmore College	6,405	19	36,700	21,000	57,700	121,700	64,000
Swarthmore College	6,373	15	17,500	11,900	29,400	95,600	66,200
University of the Pacific	6,364	84	124,200	86,900	211,200	534,600	323,400
Union College	6,359	22	44,100	22,800	67,000	139,900	72,900
Claremont Men's College	6,284	13	21,800	16,200	38,100	81,700	43,600
Columbia University	6,232	111	164,900	103,300	268,200	691,800	423,600
Bard College	6,215	19	42,100	21,100	63,200	118,100	54,900
Clark University	6,211	18	31,200	18,900	50,200	111,800	61,600
Syracuse University	6,189	107	153,900	100,800	254,700	662,300	407,600
Trinity College	6,176	13	13,200	13,000	26,200	80,300	54,100
Wellesley College	6,169	33	54,800	30,600	85,500	203,600	118,100
Manhattanville College	6,132	25	42,900	27,300	70,300	153,300	83,000
Pomona College	6,113	15	26,100	14,000	40,200	91,700	51,500
Harvey Mudd College	6,083	18	25,100	16,400	41,600	109,500	67,900
University of Rochester	6,075	62	105,900	54,100	160,000	376,700	216,700
Bowdoin College	6,044	18	27,600	19,300	47,000	108,800	61,800
Hobart and William Smith Colleges	6,012	24	32,700	25,800	58,500	144,300	85,800
Hartwick College	5,977	35	63,700	29,800	93,600	209,200	115,600
Oberlin College	5,974	47	82,400	52,700	135,200	280,800	145,600
Cornell University	5,963	218	361,600	214,200	575,800	1,300,000	724,200
Hamilton College	5,919	21	43,800	21,100	65,000	124,300	59,300
U.S. International University	5,900	18	30,300	18,300	48,600	106,200	57,600
Wells College	5,875	16	16,700	18,300	35,100	94,000	58,900
Connecticut College	5,858	29	36,800	31,400	68,300	169,900	101,600
Middlebury College	5,858	12	23,500	10,600	34,200	70,300	36,100
Scripps College	5,840	15	22,300	12,400	34,700	87,600	52,900
Rhode Island School of Design	5,820	15	25,600	17,200	42,800	87,300	44,500
Occidental College	5,814	35	48,000	37,600	85,600	203,500	117,900
Simmons College	5,759	32	54,000	35,000	89,000	184,300	95,300
Georgetown University	5,754	53	85,900	52,600	138,600	305,000	166,400
Smith College	5,754	42	75,100	35,100	110,300	241,700	131,400
Earlham College	5,731	22	29,800	23,700	53,500	126,100	72,600
Lafayette College	5,720	15	27,300	5,700	33,000	85,800	52,800
Franconia College	5,708	12	24,600	12,400	37,100	68,500	31,400
Colby College	5,707	27	42,600	26,000	68,600	154,100	85,500
Bucknell University	5,707	27	37,800	28,800	66,700	154,100	87,400
Lawrence University	5,700	13	21,700	13,400	35,200	74,100	38,900
Lehigh University	5,678	42	76,400	38,300	114,700	238,500	123,800
Boston University	5,651	240	389,700	242,300	632,100	1,356,300	724,200
Clarkson College of Technology	5,645	114	184,700	95,100	279,900	643,600	363,700
Case Western Reserve University	5,625	93	143,700	86,400	230,100	523,200	293,100

100 SCHOOLS WITH HIGHEST AVERAGE COST FOR SOCIAL SECURITY/BASIC GRANT STUDENT BENEFICIARIES—Continued

School name	Average student cost	Students attending	Total SSA benefits	Total BEOG benefits	Total combined benefits	Total student cost	Costs exceed benefits
Steven's Institute of Technology	5,671	33	55,400	14,700	70,100	185,500	115,400
Duke University	5,608	62	93,400	56,200	149,600	347,700	198,100
Bates College	5,606	15	24,900	12,000	37,000	84,100	47,100
St. Lawrence University	5,605	39	61,800	44,700	106,600	218,600	112,000
Babson College	5,600	12	19,300	11,900	31,200	67,200	36,000
University of Pennsylvania	5,553	197	313,500	186,500	500,000	1,094,000	594,000
Drew University	5,550	38	60,100	35,500	95,600	210,900	115,300
Culinary Institute of America	5,538	36	62,800	37,100	99,900	199,400	99,500
Boston College	5,530	267	437,600	250,100	687,700	1,476,700	89,000
Antioch College	5,526	45	70,700	54,600	125,300	248,700	123,400
Berea College	5,506	168	211,500	186,600	398,100	925,100	527,000
Depauw University	5,503	33	55,000	31,800	86,800	181,600	94,800
Reed College	5,494	18	31,900	16,000	48,000	98,900	50,900
Vanderbilt University	5,491	58	71,600	57,400	129,000	318,500	189,500
George Washington University	5,490	55	89,400	56,700	146,100	302,000	155,900
University of Chicago	5,486	67	119,600	61,600	181,200	367,600	186,400
Eisenhower College	5,481	16	27,200	19,700	46,900	87,700	40,800
Franklin and Marshall College	5,458	29	46,800	27,800	74,700	158,300	83,600
Mo-Tech Automotive Center	5,408	12	22,000	6,100	28,200	64,900	36,700
Dickinson College	5,395	24	36,100	22,000	58,200	129,500	71,300
Emerson College	5,393	29	38,800	29,100	68,000	156,400	88,400
Long Island University	5,382	51	88,300	50,900	139,200	274,500	135,300
Grinnel College	5,366	15	23,600	15,000	38,600	80,500	41,900
Pepperdine University	5,360	53	87,300	55,200	142,600	284,100	141,500
University of Redlands	5,360	53	86,900	50,600	137,500	284,100	145,600
Ohio Wesleyan University	5,360	25	42,800	25,700	68,600	134,000	65,400
Ithaca College	5,358	73	104,900	77,200	182,200	391,200	209,000
Eckerd College	5,333	42	61,600	44,600	106,300	224,000	117,700
Marymount College	5,328	25	43,200	23,100	66,400	133,200	66,800
Unity College	5,328	21	39,400	20,800	60,300	111,900	51,600
New England College	5,326	15	22,600	15,700	38,400	79,900	41,500
Carleton College	5,315	32	54,600	33,400	88,000	170,100	82,100
Johns Hopkins University	5,304	25	48,200	20,300	68,500	132,600	64,100
National College of Education	5,289	19	33,300	22,900	56,300	100,500	44,200
Wittenberg University	5,278	50	92,000	49,400	141,400	263,900	122,500
Elmira College	5,265	32	50,600	35,000	85,600	168,500	82,900
Knox College	5,261	21	34,000	17,600	51,600	110,500	58,900
Washington and Jefferson College	5,231	22	42,500	21,000	63,500	115,100	51,600
Trinity College	5,230	13	16,400	13,400	29,900	68,000	38,100
College of Wooster	5,228	32	56,600	28,300	84,900	167,300	82,400
Randolph-Macon Woman's College	5,226	15	25,400	12,600	38,100	78,400	40,300
Curry College	5,216	12	19,000	13,400	32,500	62,600	30,100
Bauder Fashion Institute	5,212	25	37,900	25,000	62,900	130,300	67,400
Whittier College	5,211	61	103,100	58,700	161,900	317,900	156,000
Minneapolis College of Art and Design	5,205	19	31,100	19,000	50,200	98,900	48,700
Pratt Institute	5,175	120	199,800	117,500	317,400	621,100	303,700
Keuka College	5,169	33	45,500	33,500	79,000	170,600	91,600
Cornell College	5,153	15	20,700	14,700	35,500	77,300	41,800
Wabash College	5,141	12	17,100	11,600	28,800	61,700	32,900
Elmhurst College	5,138	44	79,800	43,400	123,200	226,100	102,900
Grand total		4,570	7,333,800	4,461,000	11,799,800	26,435,300	

100 SCHOOLS WITH SMALLEST AVERAGE COST FOR SOCIAL SECURITY/BASIC GRANT STUDENT BENEFICIARIES

School name	Average student cost	Students attending	Total SSA benefits	Total BEOG benefits	Total combined benefits	Total student cost	Benefits exceed costs	Costs exceed benefits
Vance-Granville Community College	$1,196	33	$33,400	$16,900	$50,400	$39,500	$10,980	.....
Holmes Junior College	1,375	119	136,800	80,400	217,200	163,700	53,500	.....
Compton Community College	1,395	175	242,400	116,600	359,100	244,200	114,900	.....
Los Angeles Pierce College	1,432	110	174,700	72,000	246,800	157,600	89,200	.....
East Central Junior College	1,440	82	79,600	55,000	134,600	118,100	16,500	.....
North Georgia Technical and Vocational School	1,450	32	42,800	18,900	61,800	46,400	15,400	.....
Bemidji Area Vocational-Technical Institute	1,462	29	36,600	20,900	57,600	42,400	15,200	.....
Wadena Area Vocational-Technical Institute	1,482	35	43,300	23,200	66,500	51,900	14,600	.....
Sacramento City College	1,493	211	265,900	128,800	394,800	315,100	79,700	.....
Imperial Valley College	1,500	159	165,400	112,600	278,100	238,500	39,600	.....
Los Angeles Trade Technical College	1,501	226	308,000	150,100	458,200	339,400	118,800	.....
Mount San Jacinto College	1,501	58	75,700	37,300	113,100	87,100	26,000	.....
Hawaii Community College	1,501	65	88,800	42,600	131,400	97,600	33,800	.....
Cosumnes River College	1,501	58	92,700	39,200	131,900	87,100	44,800	.....
Chaffey College	1,502	142	225,400	94,700	320,200	213,300	106,900	.....
Laney College	1,502	87	113,800	44,600	158,500	130,700	27,800	.....
Solano Community College	1,503	61	84,700	40,600	125,300	91,700	33,600	.....
Yuba Community College	1,503	90	114,400	60,400	174,800	135,300	39,500	.....
Los Medanos College	1,503	32	37,800	19,800	57,600	48,100	9,500	.....
Diablo Valley College	1,504	64	112,700	41,300	154,000	96,300	57,700	.....
Gavilan Joint Community College	1,505	35	38,800	23,400	62,300	52,700	9,600	.....
Orange Coast College	1,505	93	148,000	56,300	204,300	140,000	64,300	.....
West Los Angeles College	1,505	96	148,100	68,800	217,000	144,500	72,500	.....
College of Alameda	1,506	166	238,500	119,400	358,000	250,000	108,000	.....
Haskell Indian Junior College	1,506	73	79,600	19,500	99,100	110,000	.....	10,500
El Camino College	1,507	214	330,200	135,600	465,800	322,700	143,100	.....
Staples Area Vocational-Technical Institute	1,507	38	47,100	28,000	75,100	57,300	17,800	.....
Los Angeles City College	1,508	311	433,300	118,900	552,200	469,200	83,000	.....
Los Angeles Southwest College	1,508	114	143,200	74,100	217,300	172,000	45,300	.....
Merritt College	1,509	134	196,500	94,400	291,000	202,300	88,700	.....
City College of San Francisco	1,510	256	332,500	180,700	513,300	386,800	126,500	.....
Modesto Junior College	1,510	126	180,800	85,500	266,400	190,300	76,100	.....
Santa Ana College	1,511	84	121,600	54,500	176,200	127,000	49,200	.....
Southwestern College	1,511	145	188,200	101,400	289,600	219,100	70,500	.....
State Community College	1,511	70	96,200	50,600	146,800	105,800	41,000	.....
Fullerton Junior College	1,512	97	167,100	63,800	230,900	146,700	84,200	.....
Hartnell Community College	1,512	50	53,000	35,100	83,100	75,600	12,500	.....
Antelope Valley College	1,513	53	80,100	37,000	117,100	80,200	36,900	.....
Chabot College	1,513	94	133,400	60,900	194,400	142,300	52,100	.....
Riverside City College	1,513	151	235,600	102,700	338,300	228,500	109,800	.....
Pearl River Junior College	1,513	137	177,200	98,900	276,200	207,400	68,800	.....
American River College	1,514	116	174,300	77,400	251,700	175,700	76,000	.....
San Bernardino Valley College	1,514	152	205,000	105,100	310,000	230,200	79,900	.....
San Joaquin Delta College	1,514	244	323,500	166,300	489,800	369,500	120,300	.....
San Jose City College	1,515	113	140,300	75,800	216,200	171,300	44,900	.....
Glendale Community College	1,517	74	123,700	49,500	173,300	112,300	61,000	.....
West Valley College	1,517	68	119,100	46,800	165,900	103,200	62,700	.....
Ohlone College	1,517	29	42,000	19,700	61,700	44,000	17,700	.....
Duluth Area Vocational-Technical Institute	1,519	41	81,700	27,000	108,800	62,300	46,500	.....
Cabrillo College	1,522	96	150,500	61,300	211,900	146,200	65,700	.....
Los Angeles Harbor College	1,522	171	247,400	116,800	364,200	260,300	103,900	.....
Northwest Mississippi Junior College	1,523	178	175,900	133,800	309,700	271,200	38,500	.....
Citrus College	1,524	73	120,600	49,600	170,200	111,300	58,900	.....
Mount San Antonio College	1,524	233	369,200	159,600	528,900	355,100	173,800	.....
St. Cloud Area Vocational-Technical Institute	1,524	79	108,700	50,900	159,700	120,400	39,300	.....
Bakersfield College School of Nursing	1,525	259	316,600	179,000	495,700	395,100	100,600	.....
Rio Hondo College	1,526	137	208,100	90,800	299,000	209,100	89,900	.....
Fresno City College	1,526	263	335,700	187,900	523,700	401,400	122,300	.....
Memphis Area Vocational-Technical School	1,526	30	22,800	15,500	38,400	45,800	.....	7,400
T. H. Harris Vocational-Technical School	1,526	30	34,900	19,400	54,400	45,800	8,600	.....
Crafton Hill College	1,526	30	51,900	21,200	73,200	45,800	27,400	.....
Foothill College	1,528	45	70,700	29,500	100,200	68,800	31,400	.....
Willmar Area Vocational-Technical Institute	1,528	64	68,700	46,200	115,000	97,800	17,200	.....
Anoka-Hennepin Area Vocational-Technical	1,528	45	75,300	27,600	102,900	68,800	34,100	.....

100 SCHOOLS WITH SMALLEST AVERAGE COST FOR SOCIAL SECURITY/BASIC GRANT STUDENT BENEFICIARIES—Continued

School name	Average student cost	Students attending	Total SSA benefits	Total BEOG benefits	Total combined benefits	Total student cost	Benefits exceed costs	Costs exceed benefits
College of the Sequoias	1,529	155	168,500	114,600	283,100	237,000	46,100	.....
Merced College	1,530	102	124,000	71,200	195,300	156,100	39,200	.....
Los Angeles Valley College	1,531	133	211,300	89,500	300,900	203,700	97,200	.....
Contra Costa College	1,533	136	161,600	89,000	250,600	208,500	42,100	.....
Grossmont College	1,533	84	146,100	56,100	202,300	128,800	73,500	.....
Reedley College	1,533	56	61,500	41,600	103,100	85,900	17,200	.....
Allan Hancock College	1,534	93	122,800	63,900	186,800	142,700	44,100	.....
Santa Rosa Junior College	1,534	155	243,300	103,500	346,900	237,800	109,100	.....
East Los Angeles College	1,535	221	299,900	160,300	460,200	339,400	120,800	.....
Minneapolis Area Vocational-Technical Institute	1,537	53	78,800	29,600	108,400	81,500	26,900	.....
Santa Barbara City College	1,538	90	135,000	57,000	192,100	138,500	53,600	.....
Alexandria Area Technical Institute	1,538	50	56,400	34,400	90,900	76,900	14,000	.....
Santa Monica College	1,540	125	205,400	86,400	291,900	192,600	99,300	.....
Shasta College	1,542	76	111,700	51,500	163,200	117,200	46,000	.....
Golden West College	1,544	47	81,100	31,600	112,700	72,600	40,100	.....
Suburban Hennepin County Vocational - Technical Center	1,544	45	77,900	25,700	103,700	69,500	34,200	.....
Cuesta Community College	1,546	30	42,100	18,200	60,800	46,400	13,900	.....
Cypress College	1,547	85	159,400	58,800	312,300	131,500	81,700	.....
Deanza College	1,547	44	66,000	29,100	95,200	68,100	27,100	.....
West Hills Community College	1,548	27	28,200	18,200	46,500	41,800	4,700	.....
Ventura County Community District	1,552	42	54,100	27,000	81,200	65,200	16,000	.....
Cerritos College	1,553	136	218,200	92,600	310,900	211,300	99,600	.....
College of San Mateo	1,553	32	47,700	22,600	70,400	49,700	20,700	.....
Palo Verde College	1,553	15	23,400	20,200	33,600	23,300	10,300	.....
Long Beach City College	1,558	165	252,400	104,300	356,700	257,200	99,500	.....
Southwest Mississippi Junior College	1,558	51	65,700	39,400	105,100	79,500	25,600	.....
College of Marin	1,559	27	43,400	17,100	69,600	42,100	18,500	.....
Albuquerque Vocational-Technical Institute	1,560	45	63,400	22,600	85,100	70,200	15,900	.....
Pasadena City College	1,562	209	290,100	140,000	430,200	326,600	103,600	.....
Porterville College	1,562	74	86,000	54,700	140,700	115,600	25,100	.....
Evergreen Valley College	1,562	58	71,600	38,200	109,900	90,600	19,300	.....
Columbia College	1,563	22	37,300	15,200	52,500	34,400	18,100	.....
Southern Union State Junior College	1,564	53	55,000	36,800	91,900	82,900	9,000	.....
Savannah Area Vocational-Technical School	1,566	24	24,200	13,900	38,100	37,600	500	.....
Area Vocational-Technical Institute (Thief River)	1,568	25	25,900	17,800	43,800	39,200	4,600	.....
Edgecomb County Technical Institute	1,570	27	33,200	18,900	52,200	42,400	9,800	.....
Grand total	.....	9,787	13,583,100	6,478,600	20,067,100	14,830,100	.....	.....

Mr. GIBBONS. We will go to the next witness now, but before we do, let me point out again this is not an antistudent investigation nor an anti-Social Security investigation. This is an investigation to find out how, with all these programs we have going on that were passed mainly in the 1960's with very little coordination, we can do the best job for the people that are paying the bill and do a decent job for the people receiving the benefit. That is all we are trying to establish here today.

Let's see, the next witness will be Mr. Robert Bynum, Acting Deputy Commissioner, Social Security Administration, for programs.

Welcome, Mr. Bynum. You may proceed as you wish.

STATEMENT OF ROBERT P. BYNUM, ACTING DEPUTY COMMISSIONER FOR PROGRAMS, SOCIAL SECURITY ADMINISTRATION

Mr. BYNUM. Thank you. It's good to be here.

I am Bob Bynum, Acting Deputy Commissioner for Programs for Social Security.

I was going to say I am glad to be here, but after hearing a couple of the questions a moment ago, I am not so sure that I should express that much joy over being here this morning.

In spite of what I just said, I am glad to be here to discuss the administration's proposal for phasing out social security student benefits.

I do appreciate, Mr. Chairman, your statement of the purpose of these hearings and your description of how some of the educational grant or assistance programs came on the scene in the 1960's, because I think that is crucial to the deliberations that you are engaging in.

As we have already heard, since 1965 social security benefits have been provided for children age 18 to 21 of retired, disabled, or deceased workers, if the children are full-time students at an educational institution—and that includes high school and postsecondary schools. In calendar year 1978, and I am about to introduce a new figure into this equation, about 1,340,000 [1] children received social security students benefits for one or more months. Of these, an estimated 20 percent were high school students and 6 percent were in graduate school.

As has already been noted, since the provision for student benefits was adopted in 1965, a number of other Federal postsecondary educational assistance programs—for which social security student beneficiaries are also eligible—have been established and/or have been greatly expanded. The basic educational opportunity grant program, BEOG, now provides aid to students from families of four with incomes up to $25,000. We also know that Federal loans are now available to students regardless of household income.

The administration is proposing that the benefits for postsecondary students age 18–22 be phased out over a 4-year period, starting with the school year that begins next fall. However, benefits would continue to be paid up to age 22 for high school students now and in the future.

We might want to talk about that later on.

Generally, under the proposal, benefits would not be paid to students in postsecondary schools, college or vocational schools, if they reach age 18 after August 1979. However, this proposal would not result in any loss of social security benefits in larger families where the family maximum benefit is payable in any case, which gets to the issue Mr. Duncan was talking about with Mr. Ahart a few moments ago.

Students now on the benefits rolls would continue to receive benefits until they finish their education or until they reach age 22.

The issue then that we have addressed is how families should finance higher education today and whether it is appropriate for social security to be paying benefits for continuation of education. Under present law, some students get very substantial amounts of aid. For example, the maximum annual BEOG payment for the school year 1978–79 is $1,800 and the student may also receive $2,000 or more in social security benefits during a year. The $2,000 figure is roughly the average student benefit for a child entitled in all 12 months today.

[1] Information obtained after the testimony shows that 1,084,000 children received students' benefits in school year 1977–78.

Under the proposal, about 380,000 students would not be able to get social security benefits in the first full year after implementation. Many of these students will be able to get substantial educational assistance, or increased assistance, under programs such as the BEOG program, the national direct student loan program, and the guaranteed student loan program. Mr. Voigt will speak further about these programs as your next witness.

The proposal will, of course, have a significant impact on the Social Security Trust Funds. In fiscal year 1980, we estimate that benefit outlays would be reduced by $170 million; in fiscal 1984, when the proposal would be fully effective, outlays would be reduced by about $1.8 billion plus some $38 million in administrative costs. Over the long run, social security costs would be reduced by 0.11 percent of taxable payroll, equivalent to 0.05 percentage points each, or almost 1 percent in the total tax rate, for employees and employers.

While not the major factor in the recommendation to phase out the student benefit program, I want to point out that there are problems involved in administering this provision, which, as GAO pointed out, result in a large number of overpayments. GAO's preliminary work indicates that a significant number of overpayments is caused by problems in verifying whether a student is in full-time attendance. That is so. Also, there are indications that large numbers of duplicate payments are being made to students. While we have instituted an aggressive plan of action to cut down on overpayments, there are inherent difficulties that will continue to cause a relatively high percentage of overpayments.

Again I would say this is not the major factor in the recommendation to phase out this program.

The General Accounting Office has done considerable work in gathering data on students benefits. We have recently—this past week—received a copy of their findings and are giving them our close attention, as you are doing. Our first impression is that the information supports the administration's position that students benefits now duplicate education benefits and should be phased out.

I will be very happy to answer any questions the committee would like to raise, Mr. Chairman.

Mr. GIBBONS. Thank you, Mr. Bynum.

Mr. Gradison.

Mr. GRADISON. I would welcome any thoughts you might have on the notion I mentioned before of continuing the payments but reducing them for the amount of aid in the form of grants available from other federally funded programs.

Mr. BYNUM. This would be an extremely difficult procedure to follow. In effect, what you would be doing in a situation like that would be asking the Social Security Administration to gather the data and to make the decision on whether or not an individual is eligible for assistance or grants payments made under the Office of Education programs. There is, indeed, a chicken and egg effect here.

There would be no way we could come up with a reduced benefit amount until we knew, first of all, what the grant amount would be under the Office of Education supported programs. They, in turn, would have to have our information, that is, the benefit amount information, before they could calculate precisely what the grant amount would be under those programs.

So it would be extremely difficult to administer just in coming up with the correct figures to begin with.

Beyond that, the problem of trying to administer on a month-to-month basis, or, indeed, even on an annual basis, the adjustments that certainly would have to come, when income to the family of which the student was a part changed, that would be an extremely difficult administrative task.

Mr. GRADISON. I see.

Mr. BYNUM. Indeed, Mr. Gradison, it would tend to take student's benefit out of a social insurance concept and put them in an assistance concept.

Mr. GRADISON. I was with you up to the end. I am not absolutely sure that I agree with you on the final statement there, because the total amount of benefits would not be reduced from what would be available today.

That is to say if a person because of income or assets were ineligible for any other program, they would still get the SSA grant?

Mr. BYNUM. Yes, they would.

Mr. GRADISON. I am not trying to quibble. I just want to indicate that you wouldn't totally—it would not be totally a needs test program.

Mr. BYNUM. No; but there would be factors new to the SSA process that we would have to introduce into the picture at that time. That was really the only point I was making.

Mr. GRADISON. I understand; the administrative complications that you pointed out are certainly well taken.

Mr. BYNUM. Yes.

Mr. GRADISON. And I thank you for your very useful testimony. Thank you.

Mr. GIBBONS. Mr. Pickle.

You have to go to the floor, so I will recognize you now.

Mr. PICKLE. Thank you, and I thank Mr. Jenkins for allowing me to proceed here.

On your last statement, Mr. Bynum, you state the GAO's preliminary work does indicate—and you admit that there are problems on the verification of whether a person is actually a student or not—you admit there is a problem with a good bit of duplication on the programs.

You say, further, that, "We have instituted an aggressive plan of action to cut down on overpayments." I'm quoting there. I want to know what "aggressive program" you have instituted. I did not know that. I had heard the previous gentleman testify there was no auditing or checking with the university extensively. What program have you instituted there?

Mr. BYNUM. Let me do two things that I think will be useful in that regard. Let me quickly describe what we did in years gone by and then describe for you what we are in the process of doing right now.

Up until about 4 years ago, we did, indeed, check with the university or college, as you indicated in your questioning of Mr. Ahart, and we did get a statement from them confirming the fact that the student was enrolled in full-time work in the college. We found at that time upon some audit of individual cases, a sample of cases, that performance was quite good on the part of the student in reporting,

certainly on the part of the college it was quite good, and that in balancing administrative costs against program costs, it seemed to be a wise thing to do to discontinue that kind of checking.

Obviously, things have changed since that time. Not only the GAO investigation of last year, but a quite in-depth investigation on our own part, made clear to us that we had in the student benefit program very high error rates compared to those that we have in other programs that we administer under social security, for a couple of basic reasons.

First, anything that is required of a beneficiary for continued payment under any of the title II programs, any of the social insurance programs, is also required of the student.

In other words, the student, if he or she works, must tell us. If the student marries, that information has to come to us. If there is a death, that information has to be given to us. So that, at the very best, the student beyond the age of 18 is faced with the same reporting responsibilities as other beneficiaries and we have the same administrative responsibilities in terms of continuing payment that we have for all other categories of social insurance title II beneficiaries.

But, on top of that—and this does complicate the process considerably for us—this matter of continuing in school is an add-on that we have to be concerned about and the student has to tell us about.

As I say, our own investigations last year, simultaneous with and in advance of the GAO investigations, indicated that, contrary to the study of some years ago, we were not doing so well.

So here is what we have done. We have said that in addition to the regular reporting that we have been requiring of the student all along when he or she enters school, there must be a reporting at the end of the school year not only on the intent of the student for returning to school the following year, but summing up what's taken place in the current year.

We also are requiring the student to validate his statement about school participation, school attendance, with the registrar.

This procedure is not yet underway, but it will be underway very shortly. There will be a validation of the student's statement by a responsible official of the college or the university.

In addition, we are doing some special checking on a continuing basis with the Office of Education against their records to find out whether or not they are getting information that somehow is not getting to us on marriages, deaths, or nonattendance.

Both of those things we think will enable us to greatly sharpen, if you will, the handling of student benefit programs.

Mr. PICKLE. Mr. Bynum, do I take it that you are saying that when you, SSA, ceased to require this information that would lead to discovery of duplication, that this caused the situation we are probably in now?

Mr. BYNUM. It certainly contributed considerably to it, Mr. Pickle, there is no question.

Mr. PICKLE. Mr. Bynum, there is a group of individuals being led by former HEW Secretary Wilbur Cohen and by former Social Security Administrator Robert Ball, who very strongly oppose ceasing any of these benefits.

You are joining with the administration and saying that we have reached a point where these social security student payments should be phased out, and you would be aggressive in that position?

Mr. BYNUM. That is what I am doing, yes, sir.

Let me just say——

Mr. PICKLE. Do you think—you are saying that we do have duplication, and we ought to clear it up as best we can?

Mr. BYNUM. There is no question but what there is some duplication. I think that the committee needs to look at the different philosophies involved here.

As the chairman pointed out, during the 1960's when the social security program was amended to include student benefits, it was quite clear that both the Ways and Means Committee in the House and the Finance Committee in the Senate simply considered this an extension of child's benefits. The view was that the youngster who was still in high school or in college, was considered a part of the family group and that philosopically the social insurance program ought to consider that individual as a dependent as long as he or she was still in college. That was the philosophy that got us the student benefit program to begin with.

There is no question in my mind but what, over these years, there have been large numbers of young men and women who have gone on to college and completed their college work, who would not have done so if it had not been for the social security programs.

The fact of the matter is, though, as Mr. Voigt will point out in his testimony, there are very substantial dollar amounts available now both in the form of grants and in the form of loans, that were simply not available back then. And the question really becomes one, I think, for the American people to consider very carefully for the Congress to consider, and for the administration to consider, as the chairman has pointed out, how we can best use the taxpayers' dollars in the climate in which we are operating.

So that is really the explanation of how I get to where I am as a long-time social security employee and now Acting Deputy Commissioner of the organization.

Mr. GIBBONS. Would the gentleman yield?

Mr. PICKLE. Yes.

Mr. GIBBONS. And may I intrude on Mr. Jenkins' time, because I think we are getting to some of the basic philosophies that are really on trial here.

I guess the question is—and we have not clearly defined the question, but it is beginning to emerge now—that is, are the social insurance programs of the 1930's as expanded by the generous 1950's and 1960's still relevant in the 1980's?

Mr. PICKLE. As relevant?

Mr. GIBBONS. Or as relevant as they were or do we need to set out and modify these programs. The social insurance theories based on those days, starting off with a payroll tax for the benefit of a specific retiree, have been vastly expanded into disability insurance, to other kinds of survivors' benefits, to medicare benefits, and to these educational benefits. Are those theories still as relevant today or have the realities of the changing makeup of our population and our ability to meet costs overrun the need for those particular programs?

I guess that is really what we are discussing in the long run and I am not sure that I have stated it very well, but it seems to me that that is what we are talking about basically.

Is 1980 vastly changed from the mid-1930's? Certainly this program has vastly changed in those years, and the costs of running this program have greatly increased in that time. I guess what I am asking is, is it relevant and can we afford it? I wanted to bring that up while Mr. Pickle was still here and while the next witness is here to answer, too.

Mr. GRADISON. I am not sure we cannot afford to do something when we have students that apply for assistance and make a $5,000 a year profit from our social generosity. We do want to meet real needs and we may even want to continue a program which is not needs-tested. But when people can play the system for an unintended profit, I think it is obvious something has to be worked out and that the focus should be on how to do it.

I am not sure that the way to do it is totally discontinue the present social security program, but if we can't come up with something better, I think we are going to have to consider that quite seriously. Someone could respond, and very appropriately, that there are not that many people who are beating the system, but we have enough bad press, the Congress around the United States, from those instances where the system does result in the taxpayers' money being used for excessive, unintended benefits and windfalls, not to face up to the fact that once one is pointed out, we had better do something about it.

Mr. FORD. Would you yield a moment, please?

Mr. GRADISON. Of course.

Mr. FORD. Don't you agree we must do something to guarantee those students benefits beside the school programs that are out there and available to the college students? I don't think we can say the BEOG program is a sufficient program now and, therefore, we can afford to cut this particular program out.

I am willing to work with this committee, and the Congress to shape it up, but at the same time there must be some protection offered the students who are dependent upon this particular program.

Mr. GRADISON. I agree with you completely.

Mr. GIBBONS. I don't think there is any argument about that. I think really what we are discussing—I will try to state it again—the social insurance program started out with very limited objectives in the 1930's and they were expanded vastly in the 1950's and 1960's. What we are really looking at now is whether that expansion was in all cases wise.

When this educational opportunity was presented under social security, there were no other programs by and large. There was the Indian student aid program mainly directed toward teachers or people training to be teachers, and toward the science students, but that was about all we had.

There were some old GI bill benefits still available, but now there is a whole range of programs, essentially needs tested, not social insurance programs, available to students. And we are really deciding now, or beginning to decide now, whether we should go a needs-test route or whether we should go the old social insurance route.

The question is, how much can the American society afford? How much can the American economy afford, and what is fair about a tax that is levied upon the working person, some of whom live at very low levels of our economy and very low social levels? What is fair about a tax that is levied upon them on the first dollar they earn, on the first penny that they earn really, to pay benefits to some students and to some other beneficiaries that are far beyond their actual needs and actual costs?

Those are the kinds of things I think we are talking about in this hearing. It is very complex.

Mr. DUNCAN. Would the Chairman yield?

Mr. GIBBONS. Yes; I would be glad to yield.

Mr. DUNCAN. But Mr. Bynum has not said yet that things are as bad as what the GAO has said. He hasn't had his rebuttal as far as the costs, the revenue effect on the trust fund, and how much the other program would be increased. I don't think he has said it is all that bad.

Sometimes GAO hollers wolf when there is not a wolf there.

Mr. GIBBONS. He says, "Our first impression is that the information supports the administration's position that student's benefits now duplicate education benefits and should be phased out."

Mr. DUNCAN. But he has not agreed with the amount of funds. I understand you do not agree with that.

Mr. BYNUM. Mr. Chairman, I don't think that we have had the report long enough, even though much of the data came initially from us. We really have not had the data long enough to have researched it completely.

I am sure we will not agree precisely with everything that is in the GAO report. But we do agree that the kind of duplication relating to the two different philosophies that the chairman has described here does exist. The real question is whether the taxpayers of the country ought to be asked to carry this expense, whether the difference is $1 billion or something short of that or something greater than that.

I do not agree, and I tried to make that point in my brief opening statement, that the program is in any sense unadministerable or is that troublesome in terms of administration. We have not done as well in that area as we should and as we can, but that should not be the major issue. We can handle that program, I think, certainly to our satisfaction and to the satisfaction of the committee and of the American public as well.

One of the points that needs to be constantly before us in this kind of philosophical discussion, not even a debate at this stage of the game, is that we make certain that the American people are aware of the issues and that they have an opportunity to influence us all in terms of how we come out on this.

If we had adequate funds to do everything we want to, there is no question in my mind but what most individuals would prefer to get their money to go on to school through the social security program. It is much less complicated; it is there as a matter of "right" and in a very special way. The needs-testing loan repayments and so forth are simply not involved in it. So it is a much simpler process.

As I said earlier, it was an extension so far as student benefits are concerned of the notion that youngsters at that age who are still in school are dependent members of that family unit.

Mr. Gradison, I don't think that the major issue here is one of beating the system as you suggested earlier. I think the thing that this committee and the administration need to be most concerned about is the system itself. In other words, the laws that we are administering and—beating the nonsystem, let me correct myself.

Mr. BYNUM. All right.

Mr. GIBBONS. Mr. Jenkins, we apologize for having taken so much of your time, so we will go back to you.

Mr. JENKINS. Thank you, Mr. Chairman.

We have been discussing the merits of the case, but I want to discuss the abuse.

The great majority of the students have been following the law. According to the GAO report, 19 percent in one particular area and maybe more today are abusing the law.

Mr. BYNUM. No; our estimate would be considerably lower than that.

Mr. JENKINS. All right.

Mr. BYNUM. I will tell you a couple of other things we are doing after you finish, Mr. Jenkins.

Mr. JENKINS. You have indicated to the committee, Mr. Bynum, that Social Security is taking steps to try to correct these abuses. Apparently, a lot of them are more than abuses. Some of the instances are outright fraud, aren't they?

Mr. BYNUM. There are cases where willful intent is present in this particular piece of the program just as in others; yes, sir.

Mr. JENKINS. We have laws now; I think title XVIII is used for people who intentionally make a false statement in order to defraud the Government. How many of the people in this GAO study have you referred to the U.S. attorney for prosecution?

Mr. BYNUM. We have not referred, I believe, any in the GAO study.

Mr. JENKINS. Why?

Mr. BYNUM. There are occasionally cases though involving student benefits that are referred to them.

Mr. JENKINS. You don't find cases in this group which in your opinion or in the opinion of Social Security merited a finding that there was a willful violation?

Mr. BYNUM. To my knowledge—and I am not absolutely sure—we have not; no, sir. This is not a study of individual beneficiaries. This is a study to get a pattern, if you will, more than this it is a study or review to look at what is happening to the individual.

Mr. JENKINS. I understand that. We have 19 percent according to the GAO study in one area, and I assume it would be less in some other areas——

Mr. BYNUM. Yes.

Mr. JENKINS [continuing]. And if a person is no longer in school and is drawing a Government check from Social Security, is he not violating the law?

Mr. BYNUM. He may be or he may not be violating the law.

Mr. JENKINS. In which case would he——

Mr. BYNUM. Keep in mind also, Mr. Jenkins, that between 75 and 80 percent of the payments that we make to students who, for whatever reason are no longer qualified, is recovered. Most of the money that is paid out is recovered.

Mr. JENKINS. You have recovered 75 to 80 percent of the amounts that these students have——

Mr. BYNUM. Yes, sir.

Mr. JENKINS [continuing]. Wrongfully taken?

Mr. BYNUM. Not just those, not to the extent involved in the GAO study, yes, sir.

Mr. JENKINS. Those in the program?

Mr. BYNUM. And that is a lower figure, as you would expect, than we run generally in the social insurance program. We run something like 90 percent generally.

Mr. JENKINS. Explain to me, because I do not understand, having been a former prosecuting attorney and having handled a lot of criminal cases, have you ever referred any cases to the U.S. attorney?

Mr. BYNUM. I am sure we have. Yes, sir; we have referred cases to the U.S. attorney.

Mr. JENKINS. OK. Now, are you presently referring cases to the U.S. attorney for criminal prosecution in the student area where you determine there is a willful violation?

Mr. BYNUM. We do indeed refer such cases to the U.S. attorney. I would have to say to you that unless the sum of money is fairly considerable, success in prosecution is somewhat minimized.

Mr. JENKINS. If you defraud the Government for a small amount, you don't prosecute?

Mr. BYNUM. And these are generally cases involving small amounts and where willful intent would be hard to prove, they may give good reasons for failure to report.

Mr. JENKINS. What are those? What are those reasons? I want to get to that.

Mr. BYNUM. I guess the most common one would be "I didn't really understand."

Mr. JENKINS. You mean, the system is so complicated that a person doesn't understand when he no longer is a student?

Mr. BYNUM. Mr. Jenkins, you asked for the most common reason given, and that is the most common reason, yes.

Mr. JENKINS. And when that answer is given, you just stop there?

Mr. BYNUM. No, we do not stop there. We recover the money from them, but the question of whether or not you make referral to a U.S. attorney for prosecution is something a little beyond——

Mr. JENKINS. I don't want to pursue that, but I assume you have figures.

Mr. BYNUM. We would be glad to supply them, too. Yes, we have them.

Mr. JENKINS. How many were referred to the U.S. attorneys for prosecution in this program and how many were actually prosecuted.

Mr. BYNUM. Yes.

Mr. JENKINS. Fine.

Mr. GIBBONS. If you could supply that for the record, we would appreciate it.

[The supplemental information follows:]

Eighty-one cases involving alleged fraud on the part of student beneficiaries were referred to a U.S. Attorney for prosecution in 1977–1978. Of those 81 cases, 10 resulted in convictions, 50 have been prosecuted and are awaiting a decision, and the U.S. Attorneys declined to prosecute 17 cases. (Four cases were not prosecuted because the erroneous benefits were repaid.)

Mr. GIBBONS. Mr. Ford.

Mr. FORD. Thank you, Mr. Chairman.

I have one or two questions I am concerned about at this point. One, when we think in terms of doing away with this program, I personally feel that the American public somewhere in the back of their minds are convinced that they have some sort of contract with the Federal Government and to remove this at this particular point without being very careful and offering some alternative plan to guarantee those dependent students some type of protection that will give them the educational opportunities that are afforded other students whose head of the household might be living or working, and other circumstances that center around the 1965 legislation and the purpose of the legislation—this concern's me.

Another thing I am concerned about, Mr. Chairman, is that we talk about rolling back the social security taxes in 1981. I am in total agreement with that, but I cannot for the life of me agree with any move by the administration at this particular point to say that we are going to do this at the sacrifice of students who are dependent upon this particular program for their educational opportunities. There are four or five programs in the social security program that we are going to have to cut out. I just don't think that we as a body, as a Congress, can afford to tell not only the students who are dependent upon this particular program but also those who are dependent upon the lump-sum death benefit, those dependent upon the other programs that are being talked about by the administration, in asking this Congress to cut them out. I would hope we would not ask students to make that great sacrifice at this point.

Mr. BYNUM. It really is a very difficult and very sensitive issue. There is no question about that, Mr. Ford. I think it is extremely important, extremely important, that as we talk about it in the Halls of Congress and in the administration, and with the media. We need to talk about the need to reconcile income and outgo and to reconcile social insurance to public assistance and grant programs and so on. We need to share with the American people all of the issues and make sure that there is full understanding of what this is all about.

It is difficult for a family presently receiving social security, knowing—because we assume they know what their benefits and rights are—to contemplate for the child who is now 14, let's say, that when that youngster gets to be 18 if he or she has completed high school, that this $200 or so payment will not be available.

It is a part of the law today and it would be quite a change. As we make those types of changes, we certainly——

Mr. FORD. Do you have any figures on how many children under the age of 14 this would affect?

Mr. BYNUM. I do not. It would be millions of youngsters, of course, over future years. We could provide an estimate for the beneficiaries who are presently on the roll. It is more difficult to estimate survivors who will come on the roll in the future.

Mr. FORD. I am talking about those who are presently on the rolls who feel that there is some type of contract that they have with the Federal Government. You know, the kids——

Mr. BYNUM. We can provide that specifically for you, yes. It would be under 10 million, I think, but it would be a sizable number.

[The statistic referred to follows:]

There were approximately 3.7 million children under age 18 (*including 1.85* million now under age 14) receiving child benefits as of January 31, 1979. We estimate that approximately 1 million of those 3.7 million children might be eligible for student's benefits in the future.

Mr. FORD. I would hate to say to 10 million American children at this point, you know, that "I am sorry, we are going to remove this particular program and you are not going to be eligible nor will you qualify nor will you be guaranteed these types of benefits when you become college age."

Mr. BYNUM. One other thing that we in the Social Security Administration have to be greatly concerned about and will be concerned about as this moves along is making absolutely certain that families and, indeed, individuals are more fully aware of the privileges and rights and possibilities that are available under the Office of Education in grants and other programs. We do today make them aware of that to some degree, but we must also absolutely insure that they are aware of the fact that if they do go on to postsecondary school, that social security benefits will not be continued through age 21, but other programs are there to help.

Mr. FORD. One final comment, Mr. Chairman.

You know when you think in terms of a contract or think in terms of social insurance like the chairman mentioned earlier, I am just comparing it to a policy with one of the private insurance companies, some type of a protection plan that all Americans who are now drawing some benefits under social security and with dependent children would have. They would feel this is an insurance protection even though it is a social insurance, and if they had a policy with Metropolitan or Provident or one of the other companies. I am sure they would not get a letter saying:

We are now going to cut off your children from having benefits available to them at the age of 16 or age of 18 when they get ready to go to college.

I am sure that they would not think in terms of breaking a contract to afford educational opportunities for the children.

Mr. BYNUM. It is a sensitive and very difficult issue.

Mr. FORD. I yield back my time, Mr. Chairman.

Mr. GIBBONS. The difference between the private contract, and this contract is that the private contract beneficiary or the people that bought the contract paid for it. In this kind of contract, this social insurance contract you get it as a matter of right, and as I say—it is a philosophy that we adopted in the 1930's for a very limited circumstance and we expanded it in the 1960's far beyond what we had, what the original idea for social insurance was.

It is not a question of need. Some of the people are from families with very high income by any standard that we have in the United States. So it is not a question of putting money where the need is that we are facing here, because we have programs to take care of the needy.

Now they don't work as well perhaps as you and I want them to work and that is a challenge for Congress, to increase those programs.

It is estimated that it would take about $300 million more in the basic educational opportunity grant program to make up for what we now spend, roughly $1.8 billion for. We spend that money—we

scatter it helter-skelter across the landscape to some people who are not in need and that is the basic argument as I see it.

Mr. FORD. But, Mr. Chairman, I would like to just answer that.

Mr. GIBBONS. Sure.

Mr. FORD. I thank you for your comments, but, at the same time, you know, this is not a giveaway program. People pay into it, into the social security trust fund. The head of the household or the one who has been working has paid the Social Security Administration taxes and we are even asking the American public now to pay more social security taxes in 1979, 1980, and 1981, and it is ridiculous. That is what I am saying.

We are constantly asking the American worker to pay into this trust fund but at the same time we are going to deny him some of his rights and some of his benefits that this Congress has already acted upon.

I am in agreement with you. I want a change. I want to do something but I think that we have to be very careful and know exactly what we are doing and I want some of the same information that has been shared with the Social Security Administration that convinced the commissioner, and your office and all of you on the idea that this particular proposal should be cut out. Maybe it will convince me. I am not convinced at this particular point.

Mr. BYNUM. Mr. Chairman, let me just add a couple of other points. I couldn't agree more with both you and Mr. Ford that the confidence of the American people in this system is probably the most important, the most crucial thing that we have to deal with.

We do have to deal with it very sensitively and wisely on behalf of the people of this country.

The second point is less philosophical and a little bit more practical in terms of the last point Mr. Ford was making. We are in the process right now within SSA of running a study which will be completed soon on 3,000 student beneficiaries across the country from which we hope to get some information dealing with demography and a lot of information that I think will be useful to us and to this committee in assessing where we do go from here.

A question: Mr. Ford, when you and I were engaged in dialog a minute ago, you clearly were not talking about just the number of student beneficiaries a year. The discussion that you and I were having really related to everyone who has a child drawing social security now.

Mr. FORD. Yes; that is what I made reference to, those who were eligible and receiving the benefits at the present time.

Mr. BYNUM. Yes, of course. Thank you.

Mr. GIBBONS. Mr. Moore?

Mr. MOORE. Thank you, Mr. Chairman.

I have to admit I share the same fears and problems as the gentleman from Tennessee. My district is a middle-class working district. We have State employees there, those on social security, and at the plant gates I get more complaints about social security from the working man than anything else in the Federal Government.

It used to be the problem of gill fishing—they were getting all our trout. But to start with, I agree with the contract theory. I listened to the chairman and I agree except I really wonder if we want the American people to look at this as a social program? I don't.

The working people I see that pay their money and try to collect disability income are infuriated when they go through the demeaning process they have to go through to prove disability when they have been let off work because they couldn't hold their job any more.

The biggest casework I do is social security and VA is a close second. I am afraid the system has too little support already for us to go one step more.

In 1977, we tripled the taxes, in 1979 we were asked to cut the benefits. If that won't really infuriate the people paying for a contract they thought they had, I don't know what will.

Mr. Bynum, I would just like to ask you for your opinion—and Mr. Ford touched on this—that is, do you view this for purposes of public consumption as an insurance contract they pay for; or do you view this as a Government program that the general treasury or taxpayers pay for as an income-tax program?

Mr. BYNUM. Before I answer that, I would like to point out that we did not really triple the taxes for most of the people in your district. The only tripling of social security taxes that the Congress brought about last year, year before last by now, was for the individual whose earnings were equal to or greater than the contribution and benefit bases adopted in 1977. For a worker with the average earnings the social security tax increase was rather marginal.

I guess I view it somewhere in between the two extremes personally, Mr. Moore.

Over a period of years, we certainly have worked hard within the Social Security Administration, within the Department, within whatever administration was in existence at the time, to build up a sense of confidence in the social insurance system—a very special confidence in the system. In some cases this confidence was related in large measure to the idea that the individual worker or self-employed person is indeed paying into a system where he had, in effect, an individual banking account.

This is not correct. We keep up with earnings under this system and that is what determines what the payout will be, not the tax dollars that are actually paid in.

But we worked awfully hard over all these years to make certain that the American people not only understand but that they support this program which does insure for them a monthly benefit when they retire, a death is involved, or they become disabled.

Contract? Well, clearly it has to be something short of that.

We don't think of exactly these same kinds of concerns if we are expanding the coverage, the protection, or the benefits. And I guess that is understandable whether you talk about public or private insurance or business.

If you are presently providing more at no added cost, individuals don't worry so much about whether you are breaking the contract.

As you look in depth at the system and begin to finetune it, you say to yourself that we cannot do everything. The question is whether the taxpayers' money is being spent in the most effective and proper way for them, not just as we see it, but as the American people see it.

I have a feeling that if we present these kinds of options and deal with program areas that are just a bit outside the mainstream of retirement benefits, survivors benefits and disability benefits, and you

deal with social security taxes as well as benefits, the American people will see this somewhere in between a contract and just a Government program, as I do.

Mr. MOORE. Well, you know, I think you have been very politic in your answer, but it sounds like to me from your description, my analysis of your description would be it is more social program than contract.

I think it ought to be more contract than social program. I think you and I go in opposite directions. I think the American people view this as a contract. I think it is a mistake to have them view it as anything else.

As long as Congress can be honest—maybe we have not been in the past—but the thing that concerns me is the fact that you know, you buy income security contracts, I have one now that I purchased, that provides for just such things as this, college tuition for your children up to the age of 18 or 20. So, this is not something totally foreign to the private contract market.

Mr. BYNUM. No; it is not.

Mr. MOORE. So it is not unusual for the American people to take this to be a contract.

The next question I have for you, what are we going to do with the $1.2 billion we save if we did this?

Mr. BYNUM. There are obviously options that the Congress can take into account. One has to do with the tax rate, several of you have mentioned that here today.

Another would have to with modifying the benefit structure relating to other elements of the social insurance system.

That, I think, has to be a part of the same discussion and debate that takes place over the coming months.

Mr. MOORE. From your answer, I assume that it is not the intention that we have to pay of this $1.2 billion to supplement the taxes we pass in 1977 to make the system sound for the next 75 years, I think we heard it was going to be sound—of which I really have doubts, seriously. So I assume what you are saying is if we save this money we have one of two alternatives, cut back taxes or raise the benefits in another area.

Mr. BYNUM. That seems to me to be the area of option that the Congress has, yes.

Mr. MOORE. The last question I have is, you know the BEOG program in my area has not worked like it should have. It has become a very demeaning social program that winds up with nothing but harassment for the applicants. Southern University, the biggest black university in the country is, and the president of the university called me last August saying something like half his student body had applied and not a single one had heard by registration date, not one out of thousands had heard by registration date whether they would get the grant or not.

You know, if we are going to force people off a system which I have heard no complaints into one I have heard numerous complaints how it is run, my experience indicates I ain't for voting for that.

My question is, why don't you make the BEOG system work? Why not take into account the income we pay to social security and whether you get at BEOG grant to do away with duplication rather that what it off a program I have heard no complaints over.

Mr. BYNUM. We will depend on Mr. Voigt to respond to that question.

Mr. GIBBONS. I think the main problem with the BEOG program is Congress. We get involved over abortion and things like that and don't put up the money to fund BEOG.

I cannot really criticize the administrators of BEOG. If there is any blame, it is right here with the 435 of us. We have procrastinated about making appropriations. We have gone off chasing abortions and all kinds of other things while we should have been putting the money up.

No wonder the school administrators and students are tearing their hair out. But that is the real problem.

You are going to find, Mr. Moore, that disability insurance is no longer disability insurance, it is disappointment insurance.

Mr. MOORE. I agree with that.

Mr. GIBBONS. You know, you get disappointed in life and the Social Security Administration if you are persistent and lucky enough will take care of your problems until you die.

Not in a very handsome way, but, I like you—most of the people that come into my office have some kind of problem with the social programs that the Federal Government runs, and I have got to say that disability insurance has deteriorated into disappointment insurance.

This is accurately reflected by the fast increase in the number of people who are drawing benefits under the disappointment insurance program.

I think there is great resentment building up in the American worker over what is happening in that area, to his dollars in that program.

It is beginning to show in my district, and I am sure it is going to show in the other districts.

Mr. MOORE. I certainly will not disagree with the chairman on the experience in his district. The experience is that we have a very industrial district, and as a man becomes disable to work in that industry, and he cannot find any other job, and even the local people have told him thay cannot train him for another job, he is not disabled under social security, and, he has no income, no job, cannot get one, and he is laid off.

Mr. GIBBONS. That is right, it is a disappointment insurance program. It was designed to take care of physical and mental disability but it has turned out to be a program that is far broader in scope than we had ever anticipated.

Mr. BYNUM. It is a difficult program, the law itself is very difficult to administer in terms of the disability program. No question about that.

The allowance rate currently is less than 50 percent even after the claimants go through the appeals process.

But the definition as spelled out in the law for disability payments under social insurance is really a very, very severe definition. And you are, as we all know, either in or you are out.

It is impossible, I am sure, to explain the program and convince an individual who knows he or she is disabled that somehow they don't meet the standards that have been set up in connection with this particular program.

Mr. MOORE. Of course, they paid their money but they didn't get their ride.

Mr. BYNUM. That is right.

Mr. MOORE. Let me ask you this: In getting at the duplication, Mr. Jenkens asked you questions about getting the money back when you run across fraud, but couldn't the BEOG program from your viewpoint be structured to take into account the student income he gets to reduce or to not get a BEOG grant?

Mr. BYNUM. They do make some adjustments and, again, Mr. Voight, I am sure, will discuss that in greater depth with you.

I feel very strongly, though, that that is the way to handle it rather than going the other way as suggested by one of the members early on.

Mr. MOORE. I am not sure I understand you. Would you explain that?

Mr. BYNUM. Offsetting social security benefits by the amount of assistance or grant benefits, if we continue with the student benefit program, would be an administrative nightmare, Mr. Moore.

I guess that discussion all took place before you came in today.

Mr. MOORE. What you are saying is that you shouldn't be saddled with figuring out what they get from other sources, it ought to be the other sources figuring out what they get from social security?

Mr. BYNUM. Yes. It is almost impossible for that offset to come against the social insurance system.

That is the only point I make.

Mr. MOORE. I see.

Thank you, very much.

Mr. GIBBONS. Mr. Duncan, you are the last one on this round.

Mr. DUNCAN. I have no questions, Mr. Chairman.

Mr. JENKINS. Mr. Chairman, I want to make a comment.

Mr. GIBBONS. Mr. Jenkins.

Mr. JENKINS. All of us tend to think of social security as a contract and maybe we like to think of it as that and the American people do, and most of us go around the districts saying we want to make this a true retirement system and to make it a purer retirement system.

Yet, when we—and these are very difficult choices—when we talk about other programs that are tied to a retirement system, it becomes extremely difficult to eliminate those and to try to go in other directions.

One thing that has been misconstrued—and in defense of social security—we say that we have paid our money into social security and we are not getting back what we are entitled to receive according to "contract," but some facts that are never really brought to the attention of the public—and I think ought to be brought to the attention of the public, is that until 1949, if my memory is correct, not a single employee in this country ever paid more than $30 a year into social security.

Mr. BYNUM. That is correct, yes.

Mr. JENKINS. And until 1959, not a single employee in this Nation ever paid more than $1,100 into Social Security.

If you went on social security in 1973 and made the maximum wages and worked every year, you paid no more than $9,800 into social security in your entire lifetime from 1937.

The problems come. Are we going to pay out more in benefits for whatever form and pay for in the program?

Mr. BYNUM. I agree.

Mr. JENKINS. I agree we ought to pay as we go, for that reason I voted for social security increase taxes. Tough situation; but if we don't pay for it we have to eliminate some benefits. I think it is that simple.

Mr. FORD. To add to that, Mr. Jenkins, there are those who might die in this period and receive none of the benefits for which they paid into the system, with the exception of the $225 lump sum benefit.

Mr. BYNUM. That is true.

Mr. FORD. That has just been effective in the last 4 or 5 years. At one time it was three times the amount of the income that one would get for a month; is that correct?

Mr. BYNUM. That is correct, and that is where the $255 came from. At that time the maximum benefit was 85, three times 85 is that amount.

Mr. FORD. And I join with you, Mr. Jenkins, to hear that loud cry from the district, saying, "No, we don't want the social security tax increases."

I feel that we are going to have to pay in and keep the social security trust fund strong but at the same time, I think that we have to take a close, close look at these programs offered by the Social Security Administration and the Federal Government before we do away with any one of them.

Mr. GIBBONS. Thank you, sir.

Mr. BYNUM. Thank you, Mr. Chairman.

Mr. GIBBONS. It was a very interesting discussion.

[The following was subsequently received:]

RESPONSES OF THE SOCIAL SECURITY ADMINISTRATION

A.1. Request

GAO provided information about payments to students who were ineligible because they had dropped out of school or were attending only part time. Please provide the number of such students and the amount of overpayments that SSA has identified during each of the past 3 years, and the relevant error rate statistics, along with the actions taken on these cases, including:

(*a*) Number involving fraud;
(b) Number referred for prosecution;
(c) Number of prosecutions;
(*d*) Percent of cases where overpayments were recovered;
(*e*) Percent of total overpayments recovered;
(*f*) Percent of cases not recovered and dollars unrecovered.

A.1. Response

The GAO data on overpayments by cause reflected studies conducted in Los Angeles County and in a rural area of New York State; SSA is uncertain as to the extent to which those findings may be valid nationally. The following table shows the number and amount of identified overpayments involving student beneficiaries for the past 3 years.

Year	Number of cases	Amount (millions)
1976	45,236	$20
1977	45,361	23
1978	50,327	26

Error rate statistics are not yet available. On the basis of the study referred to in item A3 true accuracy (or error) rates should be available later this year. Selected data on erroneous payments are shown below.

(*a*) For 1977 and 1978, there were 905 cases involving student beneficiaries in which fraud was suspected. The vast majority of these cases involved failure to report that the student was no longer in full time school attendance. The remaining few involved failure to report that the student married. Data are not available for 1976.

(*b*) In 1977 and 1978, 81 overpayment cases involving possible fraud on the part of student beneficiaries were referred to the U.S. Attorney for prosecution. Many of the other cases identified are still under investigation by SSA, involve very small amounts of money, or lack firm evidence of willful intent to defraud or other evidence of a criminal violation. (Similar data are not available for 1976.)

(*c*) Of the 81 cases referred for prosecution, 10 cases resulted in convictions, 50 cases are still pending or have been heard by the court and are awaiting decisions, and U.S. Attorneys declined to prosecute in 17 cases. Some cases were not prosecuted because the student agreed to repay the overpayment.

(*d*), (*e*), and (*f*) Data on recovery of overpayment are not kept by beneficiary category. However, estimates show that roughly 75 percent of identified overpayments to students are recovered. Recovery of overpayments in student cases is often difficult because frequently benefits are terminated, with the result that recovery from future benefits is not possible.

A.2. Request

Concern was expressed about current dependent beneficiaries who may be eligible for student benefits in the future. Please provide data on the number of children who may be eligible in the future.

(*a*) total number of children under age 18 who are current social security beneficiaries.

(*b*) total number of children age 14 to 17 who are current beneficiaries.

A.2. Response

(*a*) There were about 3.7 million children under age 18 who were social security beneficiaries as of January 31, 1979. Of those, we estimate that roughly 1 million might be eligible for student's benefits in the future under present law.

(*b*) There were approximately 1.85 million children age 14 through age 17 who were beneficiaries as of January 31, 1979. Of those, we estimate that roughly one-half million might be eligible for student's benefits in the future under present law.

A.3. Request

Mr. Bynum also indicated at the hearing that SSA was currently conducting a study of the student program based on a 3,000 sample. Please provide for the record the scope, objectives, and methodology of the study and foreward the study to the Subcommittee as soon as it's completed if it is not available by March 9.

A.3. Response

The study of full-time student attendance being conducted by SSA has two major purposes. First, it is designed to provide an estimate of the money amount of overpayments being made annually in the SSA student program. Secondly, it is designed to provide information that will facilitate analysis of overpayments by cause. Through analysis of the additional data being obtained in this study, together with the detailed data base already available from the ongoing review of initial claims actions, it should be possible to better determine the characteristics of the student, school, or adjudicative processes which contributed most to the amount of error and thus be able to most effectively deal with the situation.

The study data are being gathered from a longitudinal sample of 3,800 cases representing all students who filed for, or received benefits during the 1-year period from August 1977 through July 1978. The data collection efforts involved in the current study consist of data from the computer generated master beneficiary record (MBR) shortly after decision on application for benefits, claims folder data extracted about 3 months later, and data from field redevelopment involving another contact with the student and verification with the schools another 3 to 6 months later. The three current special study phases consist of following up on more recent data—MBR data through December 1978, data obtained from field redevelopment in December 1978–April 1979 requiring contact with student and school regarding student's status August 1977–July 1978, as well as a claims folder reexamination for the same period.

Data collection for this study is expected to be completed in April. Detailed compilation, analysis, evaluation, and preparation of a final report is expected to be a time-consuming process. The final report will be forwarded when it is completed.

A.4. Request

During the hearing Mr. Bynum was asked for his thoughts on continuing the social security benefits but reducing them for the amount of aid received in the form of grants from other federally funded educational assistance programs. Mr. Bynum indicated that this type of offset would be extremely difficult to administer. Please provide an outline of the problems that SSA believes would be encountered in such an offset, the possible solutions to the problems and SSA's opinion as to the feasibility, cost effectiveness, and net savings from this approach.

A.4. Response

There are several significant problems with reducing social security benefits by the amount of aid received in the form of grants from other federally funded educational assistance programs.

A major practical problem is that SSA would be required to adjust benefit amounts because of changes in payments from other programs which, in turn, may be adjusted to take account of the social security benefit. SSA would be required to maintain constant interface with numerous programs that provide benefits for students—the Veterans Administration, the Office of Education, and the State AFDC programs, among others. Any adjustment in those benefits would require a subsequent adjustment action on our part. Also, since payments under some of those programs are related to financial needs, they would be subject to adjustment to take account of the adjustments being made in the social security benefits. Thus, this approach could lead to an endless chain-reaction of adjustments and counter-adjustments in social security benefits and educational assistance payments.

From a more general standpoint, a proposal to require adjustments in social security benefits to take account of payments made under other programs would add what is in effect a means test as a condition for receipt of and a determinant of the amount of social security benefits, which would be a radical change in the social security program. Such a proposal appears to represent a reversal of past practice, which has generally been for public programs, with benefits based on need and financed from general revenues, to adjust to take account of the social security benefits.

The proposal is not sufficiently detailed, nor is the administrative feasibility clear enough, that it is possible to estimate "cost effectiveness" or "net savings" (and administrative costs) that might result.

A.5. Request

Another proposal discussed at the hearing was to consider social security student benefits as income to the student for BEOG purposes. Please provide your views of the merits of this proposal, any administrative problems you would foresee and the possible solutions for any such problems.

A.5. Response

Social security student's benefits are generally considered as income for BEOG program purposes. However, the amount of the student's social security benefits that are taken into account in computing the BEOG amount depends on such factors as the child's status as a family member, other income to the family, and educational costs. The Office of Education advises that—on the average—about 95 percent of the student's benefit is disregarded in the computation of the BEOG amount.

OE will be responding in more detail to this question.

B.1. Question

Several questions were raised relating to the coverage under the student benefit program:

(*a*) Since high school is typically free through public schools, what was the rationale for extending benefits to high school students originally?

(*b*) What was the rationale for excluding married students and part-time students? In addition, how is the marital status of the student verified?

B.1. Response

(*a*) The 1939 Social Security Amendments, which provided benefits for the dependents and survivors of retired and deceased workers, provided benefits for

children up to age 18. The benefits for children aged 16-17 were withheld unless they were attending school regularly. The Congress was silent as to the reason social security benefits should be withheld from a child aged 16-17 who was not attending school. However, the 1939 amendments contained a similar provision with regard to the requirements for benefits under the Aid to Dependent Children program. The 1939 amendments redefined dependent child by, in the words of the Senate Finance Committee, "including within the meaning of the term 'dependent child', a child under the age of 18 if found by the State agency to be regularly attending school. The present definition includes only children under the age of 16."

The rationale for paying social security benefits to students in high school was expressed more explicitly by the House Committee on Ways and Means in its report on the 1965 amendments: With many employers requiring more than a high school education as a condition for employment, education beyond the high school level has become almost a necessity in preparing [for] work. . . .

(*b*) Benefits are now payable to students age 18-22 only on the basis of full-time school attendance since it can reasonably be assumed that a part-time student may be able to work and provide for his or her own support. Benefits are generally not payable to married children under age 18 on the basis that the marriage creates a new dependency situation. When children marry they are presumed to be self-supporting or to be supported by the spouse; the dependency relationship that existed between the child and the worker can no longer be assumed to exist. When benefits were provided for students, the requirement that they be unmarried was adopted based on the same rationale that applies to children under age 18.

When a child files for benefits, he/she is required to sign a statement that he/she is unmarried and will notify SSA of any subsequent marriage. Generally, the initial statement is accepted. This procedure has been largely shown to work well. (If SSA has information regarding a prior marriage that has been dissolved—which also bars entitlement to student's benefits—or information that conflicts with the child's statement, the child's allegation may be questioned.) There have been some overpayments resulting from the failure of a student to report a marriage after benefit payments have started. SSA is making efforts to improve the reporting by student beneficiaries of events, such as marriage, which would stop benefits. (See item B.10. for a more complete description of SSA's efforts in this area.)

B.2. Question

GAO's chart 6 shows that 19 percent of the student beneficiaries are children of retired workers. How many of these retired workers retired early, at age 62?

(*a*) Do you consider retirement a voluntary act on the part of the worker? If so, do you think that such workers should expect their social security retirement income to be extended to their children's college education? To dependent's benefits generally?

(*b*) Do you feel any differently about covering children of retired workers versus children of deceased or disabled workers?

B.2. Response

Approximately 39 percent of the workers who started receiving retirement benefits in 1976 took benefits starting at age 62 (47 percent of the women and 33 percent of the men). The data do not indicate whether comparable percentages prevail among retired parents of student beneficiaries.

(*a*) In the strict sense of the word, retirement is "voluntary" for many, perhaps most, workers. That is, their filing for social security was not prompted by their being forced against their will to leave the job they previously held.

On the other hand, studies of the motivations behind workers' retirement decisions indicate the presence of both "voluntary" and "involuntary" elements. Important factors include:

The health status of the worker;

The availability of retirement benefits and the size of retirement benfits;

The availability of suitable employment opportunities;

The retirement plan of other family members.

Thus, among workers entitled to a given level of benefits at age 62, healthier workers are less likely to retire. Among workers with similar health status, those with the highest social security and private pension entitlements are the most likely to retire.

Given the mixture of motivations which go into each worker's retirement decision, it does not seem possible to categorize most person's retirement decision as primarily "voluntary" or "involuntary."

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(*b*) It can be argued that retirement—unlike death or disability—can be anticipated many years in advance. Similarly, the desire to finance a child's higher education can be evaluated in relation to the parents' ages many years before the education bills fall due. Thus, a case can be made that there is less basis for providing these benefits in retirement cases than in disability and survivors cases.

In our legislative proposal for 1980 that would phase out the student benefit program, we have made no distinction between children of retired workers and the children of deceased or disabled workers. Because other programs of financial assistance for students make no such distinction, we saw no reason to treat the children of retired workers in a different way.

B.3. Question

GAO pointed out that student benefits are not related to educational progress. Why is there no requirement for students to demonstrate educational progress under this program?

B.3. Response

There is no explicit requirement in the law that a student must demonstrate educational progress to get student's benefits. Legislative history does not indicate why there is no specific requirement.

The law provides that status as a full-time student is to be determined by the Secretary in light of the standards and practices of the educational institutions involved. This provision acts as an implicit test of educational progress in the case of students above mandatory school attendance age, since a student must meet the educational standards of the school to be considered a full-time student and thus qualify for social security student's benefits.

According to the Office of Education, the BEOG program also relies on the standards and practices of the educational institution to determine whether a child can be considered a student.

B.4. Question

Please explain the Administration's current proposal and its rationale for continuing benefits to high school students. What would your position be on the proposal to cover children of age 18 under dependent benefits and completely eliminating student benefits? What would the effect of this change be on family income, on the costs of dependent's benefits and on savings under the student program?

B.4. Response

The Administration is attempting to differentiate between those situations in which adequate alternative forms of support are available and those situations in which they are not. Short of the AFDC program, there is no alternative Federal source of direct financial support for high school students. Thus the Administration proposes to continue social security student's benefits to high school students. As the subcommittee knows, there are a variety of alternative sources of support for postsecondary students. Thus, the Administration proposes to eliminate social security student's benefits for postsecondary students.

The continuance of child's benefits until age 19 in all cases would accomplish some of the objectives of the Administration's proposal, but at significantly reduced saving. It is estimated that the long-range saving to the program of the Administration's proposal to phase out student's benefits is 0.11 percent of taxable payroll. The saving to the program under the proposal to eliminate student's benefits and pay child's benefits to all children up to age 19 is estimated at 0.01 percent of taxable payroll.

B.5. Question

What are the estimated cost and revenue effects of the Administration's proposal and of complete elimination of the program on:

(*a*) The Trust Funds for each year 1980 to 1985 and the equivalent reduction in taxable payroll and in the payroll tax rate for each year?

(*b*) On increased cost of education assistance under other programs (funded by general revenues), program by program, from 1980 to 1985?

(*c*) On the budget generally?

B.5. Response

(a) The Administration's proposal to phase out student's benefits would reduce social security costs by:

Fiscal year:	Billions
1980	$0.2
1981	0.7
1982	1.2
1983	1.6
1984	1.8

The long-range saving is estimated at 0.11 percent of taxable payroll.

The estimated saving from the immediate elimination of all benefits for students age 18 or older is:

Fiscal year:	Billions
1980	$1.9
1981	2.0
1982	2.2
1983	2.3
1984	2.4

The long-range saving is estimated at 0.12 percent of taxable payroll.

If it were decided that these expenditure reductions were to be translated into equal reductions in social security payroll tax income, it would be possible to reduce the combined employee-employer tax rate by 0.03 percent in 1981, 0.05 in 1982–1983, and 0.06 percent in 1984. Alternatively, the contribution and benefit base could be reduced from $29,700 to $28,800 in 1981.

If student's benefits were completely eliminated, a slightly larger tax rate reduction would be possible—0.07 percent by fiscal year 1984 (or alternatively a reduction in the contribution and benefit base to $27,000 in 1981).

(b) The estimated increase in BEOG costs for 1980 would be approximately $15 million if the proposal to phase out student benefits were enacted. By fiscal year 1984, the time of full implementation of the student's benefits phaseout, OE estimates that the BEOG costs will increase by approximately $52 million. The Office of Education advises that they cannot provide cost estimates for any of the other programs that they administer, because they do not have accurate numbers of students receiving social security benefits who are in those programs.

(c) The budget effect for fiscal year 1980 would be a savings of about $150 million. By fiscal year 1984, the net savings would be approximately $1.75 billion.

B.6. Question

GAO testified that most of the student beneficiaries could receive aid under one or more educational assistance programs if their social security benefits were terminated. Do you agree with this finding?

B.6. Response

First, to clarify the question, if the subject is high school students who have passed their 18th birthday, the answer is "no." Many people reach age 18 before June of the year they expect to graduate from high school. This is a major reason why the Administration proposal does not apply to people still in high school.

With regard to those in postsecondary school attendance, the Office of Education estimates that about two-thirds of those students who would be affected by the proposal to phase out benefits in the first year would be eligible for a Basic Educational Opportunity Grant; other OE programs would also make funds available to students affected by the proposal.

B.7. Question

Do you know why so few students presently apply for these other programs? According to GAO's chart 16, 59 percent who could have applied for BEOG did not do so.

B.7. Response

We do not know why all eligible student beneficiaries do not apply for benefits under other programs. However, there are probably a variety of reasons which would include: (1) the students may not know about the BEOG program, (2) the

students know about the BEOG, but think that they would not be eligible for assistance and therefore do not apply, or (3) recent adverse publicity about student loan programs may be a deterrent.

B.8. Question

Has SSA done any research to determine the difference social security benefits make in the school enrollment decisions of otherwise eligible children? If so, what were the results?

B.8. Response

In the 1973 Survey of Student Beneficiaries (results of which were published in the *Social Security Bulletin* of March 1974, November 1976, and September 1978), students were asked, "In your opinion, if you were not receiving social security benefits, would you be attending school full time this semester?" More than half of those in postsecondary school were unsure of being able to continue schooling without receiving benefits. More than one-third were sure they would not be able to attend full time.

This survey was for the 1972-73 school year. Since the BEOG was not available to students included in the survey, the results may not apply to those affected by the current proposal. Also, the survey did not take into account other student aid programs. The response might have been different if the students fully understood the availability of funds under other programs.

B. 9. Question

Were you aware that a large number of students are receiving benefits from social security and other sources in excess of their school costs and that in some cases the excesses were quite large? Is this contrary to law? If so, has anything been done to prevent this occurrence?

B. 9. Response

Under the law, social security benefits are paid without regard to any nonwork income the beneficiary may have. The amount of the student's benefit is related to the benefit of the worker upon whose earnings the student is entitled, rather than to educational costs. Neither the amount of any other public or private educational benefit that a student may be getting, nor the amount of educational costs is therefore relevant in determining eligibility for, or the amount of, a student's social security benefit under present law. Rather other programs under which eligibility for payments and payment amounts are based on financial needs generally take social security in account as income for purposes of their programs.

B. 10. Question

GAO stated that SSA was not aware of its finding that many students were ineligible because they had dropped out of school or were attending only part time. Please provide the Subcommittee with an outline of the corrective actions that you intend to take, along with implementation plans and dates.

B. 10. Response

Following is a summary of the actions taken—or to be taken—with respect to monitoring the student beneficiary program.

1. School attendance verification—SSA will verify enrollment by requiring every student on the benefit rolls to have the school complete a verification form. The first set of verification forms was mailed in March 1979.

2. SSA/OE Data Exchange—SSA has begun screening OE records for information about GEOG recipients who are also social security beneficiaries. If OE data indicates that a student may not be attending school full time or is married, SSA will contact the student and/or his school to determine whether he had, in fact, ceased attending full time or married.

3. Special Student Notice/Press Campaign—A special notice has been enclosed with the verification forms mailed to students in March 1979. The notice reminds students of their responsibilities for reporting and of the special initiatives we are undestaking to reduce overpayments.

Also, a special press release was delivered to local newspapers by all district offices in March. This release outlines SSA's reporting requirements, advises that we will verify school attendance, and warns of penalties.

4. Follow-up verifications and notices—In early June, a second set of verification forms will be mailed to students whose benefits are withheld for failure to return the first verification form. A second notice that will carry substantially the same message as the earlier notice will be enclosed with the second set of verification forms.

Coinciding with the mailing of the second notice, a second press release directed to the students recently suspended for failure to return their reporting forms will appear in all local papers.

B. 11. Question

In December 1978, GAO issued a report to Secretary Califano about duplicate and erroneous student benefit payments which SSA's system failed to identify. GAO recommended a number of corrective actions. What has SSA done to correct this situation and to prevent it from reoccurring?

B. 11. Response

We had previously advised the General Accounting Office (GAO) that we are aware of the problems they reported on, and are currently modifying the duplicate payment detection programs to identify and correct all overpayment situations referred to in their report.

Based on findings from validating the duplicate detection programs, we are in the process of modifying the programs to increase their overpayment detection capabilities. These revised operations are scheduled for national implementation in February and May 1979.

One of the computer programs has been redesigned to identify prior unresolved overpayment situations involving child (dependent and student) beneficiaries. Based on our validation results, we estimate that approximately $400,000 in overpayments will be identified.

Also, SSA plans to examine every payment record containing an auxiliary beneficiary with his/her own social security number in order to identify erroneous/duplicate SSN's and payments. We anticipate that approximately $1,675,000 in overpayments will be identified and that action to correct social security numbers in approximately 40,000 records will be necessary. We do not know, at this time, how much of this money will be overpayments to students.

B. 12. Question

According to GAO, SSA pays students when schools are not in session and summer vacations, etc. Why is this so?

B. 12. Response

The social security law provides that a student may receive benefits during periods when he is not in full-time school attendance, if the period of nonattendance does not exceed 4 months and the student intends to (or does in fact) continue in full-time attendance after the end of the period. In its 1965 report accompanying the student benefit legislation, the Ways and Means Committee specifically stated that: In determining full-time attendance, the Secretary of Health, Education, and Welfare would take into account the standards and practices of the school involved. . . . Benefits would be paid during normal school vacation periods as well as during the school year.

Mr. GIBBONS. Mr. Voigt, Acting Director, Division of Policy and Program Development, U.S. Office of Education.

We are glad to have you here, sir.

STATEMENT OF PETER K. U. VOIGT, ACTING DIRECTOR, DIVISION OF POLICY AND PROGRAM DEVELOPMENT, BUREAU OF STUDENT FINANCIAL ASSISTANCE, OFFICE OF EDUCATION

Mr. VOIGT. Thank you, Mr. Chairman, and members of the committee. I am very pleased to be here.

I am here to talk about the Office of Education student financial aid assistance programs and their availability to social security beneficiaries.

As you may know, our programs are, for the most part, need-based. This means that students' awards are based on the difference between their total educational costs and the amount they and their families can contribute toward meeting those costs.

We believe that aiding students on the basis of need is the most appropriate and equitable means of distributing Federal resources.

This commitment can best be illustrated by the fact that in academic year 1979–80, approximately $6,524,750,000 will be available to assist needy students in postsecondary education from OE's programs.

Before discussing in detail social security student beneficiaries' participation in OE's programs, it may be desirable to briefly describe the student financial aid programs and why we believe they provide the best mechanism for financing postsecondary education.

The cornerstone of all of our programs is the basic educational opportunity grant program. This program is an entitlement program and awards are made to students based on financial need. The maximum award under this program is $1,800 and the funds are available to students attending over 6,000 institutions of postsecondary education.

It is anticipated that in 1979–80, approximately $2.4 billion in basic grants will be awarded. The national direct student loan, college work-study, and supplemental educational opportunity grant programs are generally referred to as the campus-based programs. Under the campus-based programs, funds are allocated to the institutions for distribution to students.

Again, student awards are made on the basis of need and in 1979–80, over $1.5 billion will be distributed to needy students through institutions under these programs.

Finally, the other major program is the guaranteed student loan program. Under this program, undergraduate students, regardless of income, can borrow up to $2,500 per year and the Federal Government pays the interest on the loans while the student is in postsecondary education.

Once the student completes his or her education and enters repayment, the interest to the student on these loans is 7 percent. The guaranteed student loan program operates with capital provided by banks and private lending institutions. It is expected that in 1979–80, over $2 billion in loans will be made to students.

I think it is fair to say that these funds generally flow through the institution. When a student arrives on campus requesting assistance, the resources from all the programs are taken into account and a package of assistance is based on a student's cost of education and family contribution.

There is a packaging theory in these programs, so that in combination, they can meet the need of the students.

The basic concept underlying these programs is that parents are primarily responsible for, and are expected to make a significant contribution toward, the postsecondary education of their children. This basic philosophy, of course, differs from the method of distributing social security student benefits, where the family's ability to pay for postsecondary education is not taken into account. In addition to this basic difference in philosophy, there are some major points to be made.

First, it should be noted that many of the students who would be affected by the proposed phaseout of the student benefit provisions will be eligible to receive assistance under the Office of Education's financial aid programs.

According to our latest estimates, there are approximately 360,000 undergraduates affected by the social security phaseout. Of those students, approximately 252,000 or 70 percent either are, or would be, eligible to receive assistance under the basic grant program alone. The remaining 30 percent are not eligible because of their high income or asset level.

Approximately 220,000 students already eligible for basic grants will be eligible for larger awards. An estimated 11,000 would be added to the pool of newly eligible students in the basic grant program. The remaining 21,000 are currently receiving full basic grant awards and would not be affected.

In addition, the newly enacted Middle Income Student Assistance Act (MISAA), which goes into effect for the academic year 1979–80, provides us with an even greater opportunity to help students affected by the social security phaseout.

Without this new piece of legislation, only about 161,000 social security recipients who are losing their benefits would be eligible under the basic grant program.

As a result of MISAA, any negative impact of the phaseout of student benefits under social security programs will be substantially reduced.

The data that I have just provided only pertains to the basic grant program. As I indicated earlier, there are several other programs for which social security recipients will be eligible. In the campus-based programs, needy social security recipients can receive the aid necessary to pay for their postsecondary education.

Of course, the guaranteed student loan program is also available to students in postsecondary education. As I indicated earlier, over $2 billion in loan funds are expected to be provided under this program to students in academic year 1979–80.

The Office of Education is currently undertaking major efforts to insure that sufficient loan capital is available and those who need to can borrow the funds necessary to finance their education.

As a final point, it should be noted that in 1965, when the social security student benefit program was initiated, the total funding for the OE student aid programs was only about $186 million. Since there was such a limited amount of Federal assistance available, there may have been legitimate need for special help for students whose parent was deceased, disabled, or retired. Given the phenominal growth in the funding levels of the OE student aid programs since then, this need is no longer there.

We believe that the combination of available resources through the Office of Education's programs, as well as other assistance programs, will provide the necessary assistance for students who are affected by the phaseout of social security student benefits.

Since funds under these programs are awarded according to the resources of students and their families, the result, therefore, is a more effective distribution of scarce Federal resources.

In addition, the elimination of the social security student benefits program would rationalize and simplify the process of obtaining financial assistance for both parents and students.

I would be pleased to answer any questions that you may have.

Mr. GIBBONS. Mr. Jenkins.

Mr. JENKINS. I have a couple questions.

You indicated in the year 1979–80, approximately $6.5 billion will be available.

Mr. VOIGT. Yes, sir.

Mr. JENKINS. How many students will that cover?

Mr. VOIGT. That will be in the neighborhood of about 3.5 or 4 million students. Probably somewhat in excess of that.

Mr. JENKINS. In other words, would you say that of 10 million students now in college, you will be making grants to roughly 4 million of them?

Mr. VOIGT. Right.

Actually, I am pulling these figures out of my head. It could be in 1979 as high as 5 million. I think we are getting close to 50 percent.

Mr. JENKINS. All right.

I am concerned about the complexities of the system and the complaints that I receive. $6.5 million, if I figure correctly in my head here, if you assist 4 million, that is about $1,500 per student.

Mr. VOIGT. Approximately.

Mr. JENKINS. It would almost be easier just to let the school itself make the distribution, wouldn't it?

Mr. VOIGT. Well, as I indicated in part, in some of these programs the school does make the distribution.

However——

Mr. JENKINS. The work-study and that?

Mr. VOIGT. Work-study and supplemental grants, et cetera. However, all the funds are distributed on the basis of need. So, obviously, the average is somewhat meaningless because, as income goes up, the award levels go down.

Mr. JENKINS. I have one other comment. I think the student loan program may be somewhat deceptive. I know it is as far as my district is concerned because most of my students find they cannot borrow the money. The banks don't make the loans.

Mr. VOIGT. As I indicated, in some areas, that can be a problem and we are working with the State agencies, where they exist, and with the lending industry to help insure that capital is indeed available for loans.

One of the things I had not mentioned in my testimony was that the Middle-Income Student Assistance Act greatly expanded the benefits that are available to students under guaranteed student loans.

Mr. JENKINS. How are you making capital available with the financial institutions?

Mr. VOIGT. To begin with, we are encouraging lending institutions who are presently not in the program, to get into the program.

Mr. JENKINS. That is very difficult to do.

Mr. VOIGT. It is some places.

Mr. JENKINS. For a bank it is.

Mr. VOIGT. There is a secondary market available for these loans, Mr. Jenkins, and we are encouraging people working in the secondary market——

Mr. JENKINS. What is that secondary market?

Mr. VOIGT. It is the Student Loan Marketing Association, which buys loans from banks in order to increase their capital availability at the lending institutions, so that more loans can be made.

Mr. JENKINS. That is active now?

Mr. VOIGT. That is active, yes, and we are working with that organization, with lending institutions and with State agencies.

Mr. JENKINS. I have had many complaints from parents and students who think they qualify and do qualify——

Mr. VOIGT. Yes, indeed.

Mr. JENKINS [continuing]. For a guaranteed loan, and they simply can't find the bank to make the loan.

I think that is a real problem for my area. It may be the same all over the country, I don't know.

Mr. VOIGT. It varies from State to State and city to city. As I said, we are doing everything we can to make more capital available.

Mr. GIBBONS. Any banker that doesn't pick up a good student for a loan is a banker that takes a very shallow interest in the future of his bank. I hope that they will heed that in making these loans. There are not only banks that can make these loans, but there are credit unions, life insurance companies, savings and loans.

Mr. VOIGT. Exactly.

Mr. GIBBONS. In fact, anybody who wants to submit themselves just to a very modicum of Government supervision can make these loans.

Mr. VOIGT. That's exactly right.

Mr. GIBBONS. Your figures on page 3, Mr. Voigt, are those first-year figures or what?

Mr. VOIGT. Yes, Mr. Chairman.

Those figures are assuming that only freshmen would be affected in the first year of the phaseout. If you would like, we can provide 4-year figures for you if that would help in your deliberations?

Mr. GIBBONS. No; I think we can just extrapolate those up, you just add another fourth each year. Is that roughly what you do; is that right?

Mr. VOIGT. Roughly.

Mr. GIBBONS. There are some that drop out.

Mr. VOIGT. Roughly 30 percent of any given item applies to freshmen. As you get to the seniors, it is less and less.

Mr. GIBBONS. Some still get disappointed and drop out; others get busted out because they don't make the grades.

So this is not very relevant as to their needs.

I have no further questions. Thank you very much.

Mr. VOIGT. Thank you.

[The following was subsequently received:]

RESPONSES FROM THE OFFICE OF EDUCATION

Question 1. Do any of your programs provide for: (*a*) Married and part time students? (*b*) Noncollege postsecondary students (i.e., technical and business schools)? (*c*) High school students?

Answer. OE's student aid programs provide assistance to students on the basis of need. Therefore, a student's marital status is irrelevant and many married students receive assistance. All of the programs provide assistance to students enrolled on at least a half-time basis in an eligible institution of postsecondary education. Eligible schools include colleges and universities, community and

junior colleges, as well as trade, technical, and vocational schools. Since these student aid programs are intended by law to assist students in postsecondary education, high school students are not eligible to receive aid under the student financial assistance programs. However, high school students do receive benefits and services from numerous other Office of Education programs.

Question 2. Do you think there is a need to provide assistance to high school students age 18 to 21 as Social Security does?

Answer. Not as a general rule. We do not support student financial aid programs for high school students. See the responses to question B.4 and B.6 provided by the Social Security Administration for a further discussion.

Question 3. In light of the Administration's proposal to phase out the Social Security benefits to postsecondary students and GAO's study: (*a*) Will the coverage and assistance under your programs be adequate in amount to insure that needy students will not be forced to leave school for financial reasons? What about middle income families? (*b*) What types of students would not receive assistance from your programs if the Social Security student program is eliminated?

Answer. We believe that the existing student aid programs will be adequate to meet the needs of almost all of the students who would be affected by the phase out of social security benefits. Since assistance through these programs is based on financial need, the loss of social security benefits will *increase* the current recipients' eligibility for aid through these other sources. In addition, the funding levels for all of the OE student aid programs were substantially increased in the FY 1979 Appropriation Act. While no substantial increases over that level have been proposed in the FY 1980 budget request, we believe that the current funding levels are sufficient to provide assistance to all of those who need them.

Further, under the Middle Income Student Assistance Act, the income ceiling for eligibility for interest benefits under the Guaranteed Student Loan Program was removed. As a result, all students, regardless of income are eligible to receive subsidized, deferred-payment, long-term loans to assist them in meeting educational costs. Therefore, we believe that all students affected by the phase out of social security benefits will be able to receive assistance through OE's student aid programs in the form of either grants, work or loans.

Question 4(a). What will the added costs be of covering these students under the programs you administer, program by program, for 1980–85, year by year (1985 should demonstrate costs when fully implemented)? How many students will be assisted each year under each program, as well as when fully implemented?

Answer. We have estimated that phasing out Social Security benefits for students reaching age 18 after August 31, 1979 will cost the Basic Grant Program the following amounts by fiscal year. (Student-by-student data are not available for the other OE financial aid programs.) Note that the Basic Grant Program is forward funded so that the Fiscal Year 1980 impact is reflected in Fiscal Year 1979 costs.

Fiscal year funds Academic year	1979 1979–80	1980 1980–81	1981 1981–82	1982 1982–83	1983 1983–84
Cost (millions)[1]	$15	$30	$43	$52	$52
Students affected[2]	360,000	720,000	1,018,000	1,241,000	1,241,000
Students eligible for basic grants	252,000	504,000	712,600	868,700	868,700

[1] Costs assume a participation rate of 66 percent in fiscal year 1980 and 70 percent in subsequent years.
[2] Undergraduates only.

Note: Estimates after fiscal year 1980 assume same program parameters as for fiscal year 1980.

Question 4(b). Will the necessary budget resources be available and will the administration request the needed funding increase? Why doesn't the budget reflect any increased funding for FY 1980? Please explain the basis for the estimates included in your statement and the rationale for arriving at such a low number of students and such a low cost estimate.

Answer. 1979–80 academic year cost impact on the Basic Grant Program is estimated to be $15 million. This compares with total appropriation of $2.6 billion. Because of time constraints associated with submission of the budget, increased funding was not requested to accommodate the Social Security phase-out. However, given past experience with Basic Grant program expenditures, the assumption was made that sufficient funds would be available to accommodate $15–30

million. However, should it become apparent during the course of the academic year that the Basic Grant appropriation was not sufficient to cover these additional costs, the administration would request the additional amount at that time.

The major reason for limited cost impact on the Basic Grant Program is enactment of the Middle Income Student Assistance Act (MISAA). This legislation greatly expands eligibility by significantly decreasing the percentage of a family's discretionary income from which they are expected to contribute to the student's postsecondary education. This makes it possible for a student from a family of four with $25,000 parental income to receive a Basic Grant. For example, of the estimated 252,000 student beneficiaries who would be eligible for a Basic Grant in Fiscal Year 1979, it is estimated that only 11,000 would be newly eligible as a result of losing their Social Security benefits. Approximately 220,000 of those who would have already been eligible would receive larger awards. The remaining 21,000 would already be receiving maximum awards. In comparison to these figures, if the Middle Income Student Assistance Act had not been passed, it is estimated that only about 161,000 of the Social Security recipients who are losing their benefits would be eligible for assistance under the Basic Grants program.

Question 5. Please explain briefly the eligibility concepts applied under your program, specifically:

(*a*) Do you employ income concepts that are consistent with those used in the tax system? (If not, why not?)

(*b*) Do you verify data provided by cross-checking with tax returns filed with the IRS? (If not, why not?)

(*c*) Do you use the same support tests that IRS uses for determining dependency? If not, why not? Do you cross-check this with IRS data? If not, why not?

(*d*) In summary, how burdensome is the process for obtaining assistance from OE for parents and students? Do you have any planned changes to make the process less burdensome? How efficient and effective are the programs in verifying eligibility and acting on applications?

(*e*) Please provide copies of all the BEOG applications an individual student or the parent must file to receive a grant.

Answer. A student is eligible to receive Title IV student assistance funds if the student (1) has financial need (as determined by an OE approved need analysis system), (2) is enrolled in an eligible program of study on at least a half-time basis, (3) is in good standing and making satisfactory academic progress according to the standards and practices of the institution in which the student is enrolled, and (4) does not owe a repayment on a Title IV grant and is not in default on a Title IV loan at that institution.

In assessing need under the OE student financial aid programs, the first step is to make certain deductions from income; then some portion of the remainder is determined to be available for educational purposes.

(a) For the campus-based programs—National Direct Student Loan, Supplemental Educational Opportunity Grant, and College Work-Study—the approved need analysis systems which are used to determine a student's expected family contribution use income concepts which are consistent with those used in the tax system. However, there is flexibility in the size of awards based on the assessment of need by the financial aid officer on campus.

The Basic Grant Program also uses income concepts consistent with those used in the tax system. The Middle Income Student Assistance Act (enacted in November 1978) requires that the Basic Grant need analysis system use a 10.5% assessment rate against discretionary income.

(b) For several years the Bureau of Student Financial Assistance has cross-checked with IRS records on a "blind" basis for statistical and analytic purposes. The submission of a copy of a tax return by an applicant or an applicant's family is not required at the time of application to determine eligibility for aid.

However, institutional validation of an applicant's financial information does require that a copy of an applicant's or an applicant's family tax return to be submitted to the institutional financial aid administrator before the student undergoing validation is awarded a Basic Grant or campus-based aid.

(c) The three criteria used for determining an applicant's dependency status are not the same support tests as used by the IRS. For the Basic Grant and campus-based programs an applicant's positive response to any one of the data items below indicates that they are a dependent student. For the 1979–80 award period—

1. Did or will applicant live with parents for more than six weeks during 1978, 1979, or 1980?

2. Did or will parents claim applicant as a U.S. income tax exemption for 1978, 1979, or 1980?

3. Did or will applicant receive assistance worth more than $750 from parents during 1978, 1979, or 1980?

These criteria for determining dependency status in 1979–80 are for the base year (1978—the immediately preceeding taxable calendar year) and the two calendar years—1979 and 1980—which the 1979–80 award period covers.

Dependency status is cross-checked with the tax returns provided the institutional financial aid administrator by the applicant or the applicant's family in those cases where a student is undergoing validation. This validation of information occurs at the institution prior to the disbursement of student assistance funds to the applicant.

(d) Prior to the 1978–79 award period, applicants and/or applicant's parents, in applying for student financial assistance, had to complete numerous forms for the various sources of aid available to them. The Office of Education, in cooperation with the major need analysis services and the State of Pennsylvania, established a system known as Multiple Data Entry (MDE) for the 1978–79 award period.

Under MDE an applicant can submit one form and apply simultaneously for a Basic Grant, campus-based assistance, State grants and scholarships and institutional aid. The MDE agencies collect the financial data they need for their own operations in addition to collecting all data needed to determine Basic Grant eligibility. These agencies transmit the data needed to determine the student's eligibility for a Basic Grant to the central Office of Education, processing contractor. The processing of the data is completed by the Office of Education contractor and the student is notified of the results.

As a result of the MDE process in the 1978–79 award period, as many as 2.5 million students did not need to submit separate Basic Grant applications. The MDE approach is resulting in a single process for students to apply for financial aid and will act as a base upon which to make further improvements such as standardizing and consolidating data elements.

In order to further decrease the time and effort involved in applying for student assistance, the Office of Education is continuing its efforts to develop a process under which a student could complete a single form to establish his or her eligibility for all sources and types of assistance to a consistent need analysis approach.

(e) For 1979–80, a student must complete *one* of the following forms to determine eligibility for assistance for Basic Grants:

Basic Educational Opportunity Grant application (OE);

Financial Aid Form (College Scholarship Service);

Family Financial Statement (American College Testing Program);

Application for State Higher Education Grant (Pennyslvania Higher Education Assistance Agency);

Student Aid Application for California (State of California).

In the majority of States and institutions, these forms are also used to determine eligibility for other federal, state and institutional aid.

Question 6. Please provide the percentage error rates for the relevant OE programs, the dollars overpaid, and the amount recovered for the last 3 fiscal years.

Answer. Since the inception of the Basic Grant Program, there has been concern over the validity of the information reported on the Basic Grant applications. Therefore, beginning with the 1975–76 academic year, HEW instituted a system to validate this information. The relevant information which we gathered are summarized below.

The validation system for 1975–76 through 1977–78 was handled centrally by the Office of Eeucation. Under this system, a small sample of students (approximately 8,000 per year) were selected and required to provide documentation to verify the information reported on their Basic Grant applications. Because the validation was conducted after most students had received payment of the Basic Grant awards, the small sample size, and the low response rate, we found the central validation effort to be relatively unsuccessful.

In addition, in 1977 a corrections analysis study was conducted which revealed that a substantial number of students may have been misusing the Basic Grant corrections process to increase their eligibility.

Therefore, in the 1978–79 academic year, three major changes were made to the validation effort. These changes were:

(1) The system of edits used to initially screen applications was increased and tightened;

(2) Validation was moved to the institutional level; and

(3) Validation was conducted pre-award.

Although it is too early to make a full assessment of either the new validation effort or the tightened edits, we do have the following data:

1. 120,277 students were selected for validation in 1978–79;

2. As of 1/19/79, 34,100 of those students had submitted corrections after being selected;

Overall, the combination of tightened edits and pre-award validation appears to be much more effective than previous methods in assuring accuracy of data provided by students applying for Basic Grants.

Certain facts must be considered when reviewing this data:

1. The final regulations requiring validation were not published until January 25, 1979 and were not effective until February 27. While we have strongly urged institutions to perform validation, there was no requirement that they do so and there is no information on the number of institutions who did;

2. Since we will continue processing corrections until May 6, we do not know how many more of the 120,277 students selected for validation will submit corrections;

3. Since the 1978–79 recipient data is not yet available, we do not know how many of the students selected actually received payment;

4. Again, since we do not know which institutions were performing validation, even when the recipient data are in, we will not know which of the students were validated and needed no corrections, or how many were not validated and just received payment.

Because of these facts, we will be unable to fully assess the impact of the validation effort until well into the 1979–80 academic year.

We do not have any statistics which show the amount of misreporting which may be occuring in the other student aid programs administered by OE. However, we do suspect that it parallels the Basic Grant program pattern. OE is now in the process of developing standards to be used by institutions in verifying information reported on applications for other types of Federal student aid.

Collections

The collection of overaward of Basic Grant funds resulting from misreporting began in July of 1976. This effort has been handled under contract since that time. To date $887,000 has been identified as overpayments and $124,833 has actually been collected.

Beginning with July 1, 1979 this collection activity will be moved from contract to the regional OE collections.

Fraud and prosecutions

During the last three fiscal years 53 cases of student fraud have been investigated; 26 cases have been presented for prosecutorial opinions; and 6 convictions have been rendered.

7. In light of excess benefits demonstrated by GAO, can anything be done administratively to ensure that Social Security benefits are more fully considered under OE programs?

Answer. HEW does not have administrative flexibility to alter the way in which Social Security benefits are considered in OE student financial assistance programs. An applicant's social security educational benefits received in the base year are considered in all need calculations for Basic Grant and campus-based programs.

Under the Basic Grant program's statute, an applicant's social security educational benefits received in the base year are included as nontaxable income and, for dependent students, assessed at the 10.5% rate mandated by the Middle Income Student Assistance Act. For independent students (with no dependents) social security educational benefits received in the base year are included as nontaxable income and assessed at a rate of 70%.

In the campus-based programs, under the uniform methodology of the need analysis services, social security educational benefits are taken into consideration in determining eligibility for assistance in a different manner than for Basic Grants. The social security educational benefits an applicant expects to receive during the award period for which aid is requested are included as a financial resource available to the applicant or the applicant's family as an offset against the applicant's educational costs. The lower the family income of a dependent applicant, the more likely the social security educational benefits will not be offset against educational costs. The higher the income of a dependent applicant, the more likely the social security educational benefits will be treated as a direct applicant resource offset against educational costs.

In the campus-based programs, for independent student without dependents the uniform methodology treats social security educational benefits as a full direct offset against educational costs.

8. *Question.* We have heard that Social Security student benefits are not contingent upon students' academic progress and are not related to the educational costs. Is assistance under your programs related to academic progress and costs? What does OE do to insure that students do not receive federal educational aid from various programs that substantially exceed their educational costs?

Answer. Social security educational benefits are not contingent upon students' academic progress. To receive social security educational benefits a student simply has to be enrolled in an institution of higher education. So long as the student maintains enrollment, the student receives benefits.

Social security educational benefits are not related to a student's educational costs nor a student's relative financial need.

All Title IV student assistance programs, except the Guaranteed Student Loan Program are based primarily upon financial need. In order to receive assistance a student must demonstrate financial need. With regard to the Guaranteed Student Loan Program, students can borrow funds to cover unmet need plus expected family contribution.

The Education Amendments of 1976 incorporated the precept that, in order to continue to receive Title IV student assistance, an eligible student must be making satisfactory academic progress towards a degree or certificate according to the standards and practices of the institution at which the student is in attendance.

The Office of Education has, in each of its student assistance program regulations, provisions against awarding a student aid in excess of financial need. OE is actively encouraging financial aid administrators to coordinate all sources of aid available to students on their campus. OE is also cooperating with other Federal agencies to develop policies whereby a student would not receive assistance from several Federal agency programs which, when combined would exceed the student's financial need in meeting educational costs.

Question 9. Please provide an explanation and breakdown of the six billion dollar figure used in your statement and the number of students this includes.

Answer. The $6 billion referred to reflects the amount of student aid funds generated by OE's student aid programs in the 1979–80 academic year.

The breakdown is as follows:

Program	Funds	Number of students [1]
Basic educational opportunity grant	2,435,000,000	2,725,000
Supplemental educational opportunity grant	326,360,000	573,000
College work-study	604,130,000	990,000
National direct student loan	649,268,000	914,000
Guaranteed student loan	2,250,000,000	1,126,000
Total	6,264,758,000	6,331,000

[1] Some students receive aid under more than one program.

Subcommittee notes: These amounts include both estimated Federal expenditures and loans as well as amounts available from other sources under OE programs.

The amounts shown for basic and supplementary opportunity grants are estimated Federal expenditures.

The amount for college work-study includes the 20 percent ($121 million) paid by employers. The estimated Federal expenditure amount is $483 million.

The amount for direct student loans consists of the estimated Federal capital contribution of $311 million with the remaining $338 million to come from collections on prior year loans kept in institutional revolving funds.

The amounts for guaranteed loans is the estimated amount of loans to be made by private lenders and guaranteed by the Federal Government. These loans become Federal expenditures only if there is a default because of student death, total disability, or bankruptcy.

Question 10. Please explain more specifically, including the details of your plans and expected implementation dates, what you intend to do to insure that sufficient loan capital is available.

Answer. The major plan of the Administration to insure that sufficient loan capital is available will be presented to the Congress this spring in the Administration's Reauthorization proposal for student financial aid programs. In his testimony of March 20 to the Subcommittee on Postsecondary Education of the House Committee on Education and Labor, Secretary Califano indicated a number of options that should be considered in developing this new legislation.

In the interim, the Bureau of Student Financial Assistance has been strongly encouraging the various State and private nonprofit guarantee agencies to develop plans to assure that sufficient loan capital will be available to meet the needs of student borrowers in their States. Some agencies have reported that in their

particular States, loan capital is available today to meet student needs. Other States are developing plans including the establishment of State or private nonprofit lending agencies to assist those students who are unable to locate commercial lenders. A number of States currently have such mechanisms in place. Other States have or are in the process of establishing State secondary markets as a means of encouraging lender participation.

In the District of Columbia, the Bureau of Student Financial Assistance, in cooperation with the Student Loan Marketing Association, has established a program of assured loan accessibility for any resident of the District of Columbia or for nonresident students attending school within the District of Columbia. This unique program, which was established in September, 1978, has been overwhelmingly successful and has been widely praised by educational institutionals in the District of Columbia and elsewhere. As it is determined that other areas of the country have similar problems with loan accessibility, similar approaches will be explored.

Question 11. During the hearing there was considerable discussion about the possibility of continuing Social Security student benefits but reducing them for the amount of aid received in the form of grants from other federally funded educational assistance programs. Please provide OE's opinions as to:

(*a*) problems that would be encountered in such an offset and the possible solutions to these problems.

(*b*) the feasibility and cost effectiveness of such an offset.

(*c*) the net savings that would result.

Answer. (*a*) The primary problem in this approach would be establishing a mechanism for institutions to notify the Social Security Administration of any beneficiary receiving Federal grant support and for SSA to adjust the Social Security education grant based on this information. For example, the amount of Federal grant support a student receives would probably not be known until after the student is enrolled in school. Under this proposal, schools would have to notify SSA of the amount of Federal grant aid each beneficiary is receiving and SSA would have to adjust the student's social security payment.

This problem would be further compounded by the need to report any changes in the student's grant award to SSA and subsequent re-adjustments of social security payments.

(*b*) The Office of Education collects no information on actual disbursement of Basic Grant funds for each student until after the end of the academic year. Further, in the SEOG program, student by student disbursement records are not available in OE. These records are maintained in the institutional records. Therefore, there is no way to measure the administrative impact of this proposal on institutions.

It would seem safe to say, however, that such an approach would significantly add to the workload of the institution for little or no benefit on their part. As a result, it would not seem to be feasible to require this type of notification.

The administrative impact on SSA is unknown.

(*c*) For the reasons noted above, it is not possible to determine net savings.

Question 12. (*a*) Do you feel it would be either feasible or desirable to consider Social Security student benefits as income to the student for BEOG purposes?

(*b*) If Social Security benefits were considered income to the student: (1) what percentage of students now collecting both a BEOG and student benefits would become ineligible for the BEOG? (2) what percentage would have the grant amount reduced? (3) what would the net savings be if implemented in FY 1980?

(*c*) Should this concept be extended to all educational assistance programs? What would the resulting effects and net savings be?

Answer. (a) Treating social security educational benefits as income to the student for Basic Grant purposes can be accomplished by using several different methods.

One method of treating social security educational benefits as income to the student would be as a direct contribution of the student to meet his or her cost of education. The direct contribution method would be the application against the student's cost of education of the total annual social security education benefits received by the student.

Another method of treating these benefits would be to divide the total annual benefit amount by a fraction related to the family income—the lower the family income the greater the amount of social security educational benefits which would be considered as part of the family's income and thus not wholly convertible

to offset the student's educational costs. With a higher family income, the reverse would occur.

A third method would be to treat social security educational benefits for dependent students in the same way the benefits are used in the independent student Basic Grant need analysis calculation. That is, these benefits would be assessed at a rate of 75% of the total amount of benefits received.

Whether any of these methods are feasible or desirable is dependent upon the adverse impact a given method would have upon the Basic Grant constituency receiving social security educational benefits.

(b) 1, 2, 3. The discussion of the numbers of students now collecting a Basic Grant whose grant would be reduced or who would become ineligible for the Basic Grant if social security educational benefits were used as income to the student would vary depending upon the method chosen. In any of the methods discussed in 12(a), cost savings would result. However, whether significant cost savings could be realized would depend upon which treatment was used. With regard to net savings in FY 1980, if any of these methods were adopted a net savings would result. Of course, the actual amounts would be directly related to which of the methods were adopted.

Mr. GIBBONS. Our next witness is Mr. Charles B. Saunders, director of governmental relations, American Council on Education.

We welcome you, sir. We do not see you folks as often as we used to, particularly when I was over in Education and Labor, but it is always good to see you.

STATEMENT OF CHARLES B. SAUNDERS, DIRECTOR OF GOVERNMENTAL RELATIONS, AMERICAN COUNCIL ON EDUCATION

Mr. SAUNDERS. It is good to be here. I am Charles Saunders of the American Council on Education, and I am speaking on behalf of 10 higher education associations.

We appreciate this opportunity to comment on the significance of the social security educational benefits.

In the testimony you have heard earlier this morning, those benefits have been called into question by the GAO report which concludes that there is a significant overlap between those benefits and those of the student aid programs conducted by the Office of Education.

Following this argument, the administration has proposed to eliminate social security educational benefits for college students, thereby saving $1.8 billion by fiscal 1984.

The point I want to make, Mr. Chairman, is that this argument is misleading, as is the estimate of savings that would accrue. It ignores the real hardship which would be imposed on most beneficiari since there is no way existing student aid programs can restore loss of their benefits. And this is a point that has been obscured in all the testimony you have heard this morning. There is not any way existing student aid programs can make up for the loss of these benefits.

It is true that social security educational benefits are not needs tested. They currently average $2,000 a year, and are paid automatically to some 600,000 college students who are children of deceased, disabled, or retire[illegible] social security beneficiaries.

It is also true, however, that the majority of these students come from families which would otherwise have serious difficulty in meeting the costs of their education. Two out of three are from families with incomes below $15,000 a year. The median adjusted gross income of beneficiary families is 75 percent of the median income for all families with children in college.

We estimate that by 1980–81, social educational benefits will average $2,300 a year, and approximately 70 percent of student recipients will be eligible for a basic grant administered by the Office of Education.

For such students and their families, social security benefits are not student aid but family income to supplement resources reduced by removal of a parent in the work force. This is recognized by the Office of Education, which treats social security benefits as part of family income in determining the students eligible for basic grants.

To illustrate the impact of the administration's programs, I have provided three examples, Mr. Chairman, and they are fairly typical examples taken from the low-income ranges, the low-middle income range, and the middle-income range.

Here is what happens. Take the case of a working widow with one child in college, one at home earning $6,00€ a year. This is a fairly typical case. Sixty percent of the beneficiaries under this program are children of deceased workers, and some roughly 30 percent of the beneficiaries have family incomes under $6,000.

Assuming that by 1980–81 the average social security educational benefit will be $2,300 a year, the family in this particular case would have a total income of $8,300 to help meet family expenses while the student is in college. By virtue of the basic grant needs analysis process, taking into consideration the total family income, the student in this situation would be eligible for a $1,700 basic grant.

If the administration proposal was adopted and the student entered college next year, the family's income would be reduced by $2,300. But this reduction in income would only increase the basic grant received by the student by $100.

In other words, the administration would reduce this very poor family's income by a total of $2,200.

A second example: The combined income of a working wife and husband who is retired is $12,000. Their son is ready for college and qualifies for a $2,300 benefit from social security and a $1,000 basic grant. If the administration withdraws the social security benefits from this family, the son's basic grant would only increase by $250. So, the family would suffer a net loss of $2,050.

A final example: A working wife who supports her disabled husband and two children on $18,000 a year. A daughter enrolled in college qualifies for an $800 basic grant in addition to the social security benefit of $2,300.

Without the social security benefit, the basic grant award would rise to $1,020, leaving a net loss of $2,080 to this family.

In summary, it is not true that a family affected by loss of social security educational benefits would have their needs met by existing student aid programs, as the administration has rather glibly explained. On the contrary, they would have their resources significantly depleted—critically depleted in the case of most beneficiary families' ability to meet the cost of postsecondary education.

Obviously, the loss of these benefits would substantially increase the demand for basic grants and for the other existing student aid programs—supplemental grants, work study, loans, and so forth—but this increase demand is not recognized in the administration's estimate of savings, nor in the administration's fiscal 1980 budget request for these programs.

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As an example of that, Mr. Chairman, I would like to point to the supplemental grant program. Congress very wisely passed the Middle-Income Student Assistance Act last year, and one of the most important features of the act, as far as the higher education community was concerned, was that it recognized that basic grants were inadequate to meet the needs, particularly for students in higher cost institutions, and for that reason the law requires that supplemental grants be increased in fiscal 1980.

Now, the administration's budget request does not include that increase which the law requires. The law—the Middle-Income Student Act—requires that supplemental grants be increased to $370 million in fiscal 1980, and the administration's budget request, despite that law, is only $340 million. The administration's budget request for work-study is continued funding at the 1979 level. The administration has asked for level funding of State student grants and substantial reductions in direct loans. But, even if these programs were increased to reflect the additional demand which would certainly be created by eliminating social security benefits—and, as I said, the administration has not done this—those programs could not possibly begin to compensate for the benefits lost.

So, we urge Congress not to eliminate or reduce these important benefits to achieve short-term and illusory budget savings. We leave it to others to address the question such reductions would raise with reference to the concept of the social security program as providing earned benefits as a matter of right. But we believe the administration has the responsibility, if it is making any proposals for change, to accompany those proposals with offsetting changes in student aid programs, so that needy families attempting to support a child in college do not suffer additional hardship.

That concludes my testimony, Mr. Chairman. I would be glad to answer questions.

I would like to make one comment on the GAO data that was presented here this morning. Although we have not had time to analyze it in detail, it does occur to me that the report is seriously misleading. It tells everything but the most important thing, that is, what the impact is on the family that is losing this benefit, and it is also misleading to suggest the other student aid will meet the needs when it cannot. And it is misleading to suggest that large numbers of students are being overpaid.

This simply ignores the purpose of social security family income maintenance to begin with, and it overstates the case in the data the GAO presented to you, because it uses institutional costs which would not include transportation, particularly for community college students' living costs. I believe the bulk of the cases of overpayment cited by the GAO study represent 2-year institutions which would not provide any allowance for living costs or transportation costs. Also, their estimates seriously underestimate the actual costs of college today.

I would like to submit for the record a table that the American Council on Education has prepared on annual college expenses. We have projections for several years. If you take the 1980–81 year, which I have been using for my examples, the average cost of a public university would be $3,938, almost $4,000; the 2-year institutions would be $3,400.

[The table follows:]

AVERAGE ANNUAL COLLEGE STUDENT EXPENSES

[By type and control of institution]

TABLE A.—TOTAL COSTS[1]

	Estimates from NCES and CSS		ACE projections[2]				
	1976–77	1977–78	1978–79	1979–80	1980–81	1981–82	1982–83
Public university	$3,067	$3,246	$3,461	$3,692	$3,938	$4,199	$4,480
Public 4-year	2,848	2,995	3,221	3,463	3,725	4,007	4,310
Public 2-year	2,597	2,740	2,946	3,167	3,407	3,664	3,944
Private university	5,843	6,267	6,784	7,344	7,951	8,609	9,322
Private 4-year	4,769	5,058	5,422	5,813	6,233	6,681	7,163
Private 2-year	3,998	4,306	4,618	4,952	5,311	5,695	6,109
Total	3,414	3,613	3,874	4,154	4,454	4,777	5,123

[1] Total costs include tuition, fees, room, board, books, supplies, transportation, and other expenses.
[2] Average annual increase based on 1970–71 to 1977–78 data with heavier weights applied to 1973–74 to 1977–78 data.

Source: Policy Analysis Service, American Council on Education, December 1978.

Mr. SAUNDERS. The average cost of a private university would be $7,951, and the average cost of a private 4-year institution, $6,233.

So, it is inconceivable to me that there are substantial numbers of students out there which are, in effect, making money on this program. It is just impossible, because the basic grant to begin with cannot cover more than half of the total expenses. It cannot go over $1,800, and the total expenses for even the lowest cost institution are now somewhere around the range of $3,400.

[The prepared statement follows:]

STATEMENT OF CHARLES B. SAUNDERS, JR., VICE PRESIDENT FOR GOVERNMENTAL RELATIONS, AMERICAN COUNCIL ON EDUCATION, ON BEHALF OF THE AMERICAN ASSOCIATION OF COMMUNITY AND JUNIOR COLLEGES; AMERICAN ASSOCIATION OF STATE COLLEGES AND UNIVERSITIES; AMERICAN COUNCIL ON EDUCATION; ASSOCIATION OF AMERICAN UNIVERSITIES; ASSOCIATION OF CATHOLIC COLLEGES AND UNIVERSITIES; NATIONAL ASSOCIATION FOR EQUAL OPPORTUNITY IN HIGHER EDUCATION; NATIONAL ASSOCIATION OF INDEPENDENT COLLEGES AND UNIVERSITIES; NATIONAL ASSOCIATION OF SCHOOLS AND COLLEGES OF THE UNITED METHODIST CHURCH; AND THE NATIONAL ASSOCIATION OF STATE UNIVERSITIES AND LAND-GRANT COLLEGES

Thank you for the opportunity to comment on the significance of social security educational benefits in extending postsecondary opportunities.

We understand that these benefits are called into question by an upcoming GAO report concluding that they significantly overlap the benefits of student aid programs conducted by the U.S. Office of Education. Following this argument, the Administration has proposed to eliminate social security educational benefits for college students, thereby saving $1.79 billion by fiscal year 1984.

This argument, however, is misleading—as is the estimate of savings which would accrue. And it ignores the real hardship which would be imposed on most beneficiaries, since there is no way existing student aid programs can restore the loss of their benefits.

It is true that social security educational benefits are not needs-tested. They currently average $2,000 a year and are paid automatically to some 600,000 college students who are the children of deceased, disabled, or retired social security beneficiaries. It is also true, however, that the majority of these students come from families which would otherwise have serious difficulty in providing the costs of their education: two out of three are from families with incomes below $15,000. The median adjusted gross income of beneficiary families is 75 percent of the median income for all families with children in college.

In 1980–81 social security educational benefits will average $2,300 per year, and approximately 70 percent of student recipients will be eligible for a BEOG award administered by USOE. For such students and their families, social security benefits are not "student aid," but family income to supplement resources reduced by the removal of the parent from the work force. This is recognized by USOE which calculates social security benefits as part of family income in determining the student's eligibility for a BEOG.

For example: a working widow with one child in college and one at home earns $6,000 a year. Social security educational benefits are designed to supplement this income to $8,300 to help meet family expenses while the student is in college. The student in this situation would also be eligible for an $1,700 Basic Grant. If the social security benefit were removed from this family, income would be reduced by $2,300, but the student's Basic Grant would only be increased by $100—leaving a deficit of $2,200.

A second example: the combined income of a working wife and a husband who has retired is $12,000. Their son is ready for college and qualifies for $2,300 from social security and a $1,000 BEOG. Without the social security benefits, his BEOG would increase only $250, leaving him a net loss of $2,050.

Finally, a working wife is supporting her disabled husband and two children on $18,000 per year. A daughter enrolled in college qualifies for a $800 BEOG in addition to her social security benefit of $2,300. If she were not entitled to social security benefits, her BEOG award would increase to $1,020 leaving a net loss of $2,080.

In summary, it is not true that families affected by the loss of social security educational benefits would have their needs met by existing student aid programs. On the contrary: they would have their resources significantly depleted—critically depleted, in the case of most beneficiary families' ability to meet the costs of postsecondary education.

Obviously, the loss of these benefits would substantially increase the demand for Basic Grants and the other existing student aid programs. This demand is not recognized in the administration's estimate of savings, nor in its fiscal year 1980 budget request for these programs. In fact, the budget calls for level funding of Supplemental Grants, State Student Incentive Grants, and College Work Study, and a marked reduction in Direct Loans. (Even if these programs were increased to reflect the additional demand certain to be created by the elimination of social security benefits, they could not possibly begin to compensate for the benefits lost.)

We urge Congress not to eliminate or reduce these important benefits to achieve short-term and illusory budget savings. We believe that the Administration has a responsibility to accompany any proposals for reduction in social security educational benefits with offsetting changes in student aid programs, so that needy families attempting to support a child in college do not suffer additional hardship.

Mr. GIBBONS. Mr. Jenkins?

Mr. JENKINS. Thank you, Mr. Chairman.

I think you have made some good comments, but I did misunderstand GAO if they did not take into consideration the cost of room and board at the colleges in the figures that they gave us. I believe they indicated that they did include the total cost.

Mr. SAUNDERS. I think they said their costs were reported by the college. Most of those cases were at 2-year community colleges, and I would assume that the college would not be reporting board costs, because it has none.

I would assume it would not record commuting costs, because that would be up to the individual students.

Mr. JENKINS. I only have one question here. Obviously, we have to keep the social security system solvent if we are to continue the programs that we have. With these associations of State and college groups, did you testify in favor of public employees coming into the system when we had those hearings?

Mr. GIBBONS. No, they did not do that.

Mr. SAUNDERS. I didn't understand.

Mr. JENKINS. Did you take a position on whether State employees, public employees ought to be covered under social security when we were considering that legislation?

Mr. SAUNDERS. No, we did not.

Mr. JENKINS. You did not take a position?

Mr. SAUNDERS. No.

Mr. GIBBONS. Mr. Jenkins, we have the GAO people here and the question was raised about the study. Would you like to respond? You heard this witness; could you respond briefly? Would you stand please so we can hear you, too?

Mr. KREDATUS. All costs were considered, tuition, living and commuting expenses, transportation, counsellor fees, and all other types of fees. The total cost considered was, as I previously stated, for each and every individual as reported by the schools for that particular institution that the individual was attending.

Mr. GIBBONS. Thank you.

Mr. KREDATUS. One other comment. It just wasn't 2-year schools. It was a range of 4-year schools, and all other types of postsecondary institutions.

Mr. GIBBONS. Mr. Gradison?

Mr. SAUNDERS. But the bulk of them were in community colleges, and, again, in view of the fact that these benefits of social security are treated as supplemental family income, to say that anybody is making money on that is like saying that a retired social security beneficiary receiving $4,000 or $5,000 a year as the sole source of support is making money from the Government.

Mr. GIBBONS. Mr. Gradison?

Mr. GRADISON. I was unavoidably absent from the hearing when Mr. Voigt testified. I have some questions which I would like, if the Chair agrees, to submit in writing with a request for written response.

Mr. GIBBONS. We will ask the staff to transmit those to Mr. Voigt so he can respond to them.

Mr. GRADISON. Mr. Saunders. I am a little confused by your testimony because in a way, I think you are saying, "just leave everything alone." Yet, there are other times that you seem to suggest maybe there are some problems.

What is your bottom line recommendation? Are you really suggesting that nothing be done to change the social security program, the BEOG program, the supplemental grant program or any of these programs, just leave them just the way they are?

Mr. SAUNDERS. No, Mr. Gradison, we are certainly not making that claim and we are not taking a position that nothing should be done. We are simply trying to point out that if these benefits are eliminated, serious problems result for a preponderant number of the current recipients and that the existing programs have no way to take care of that or meet that gap.

Now, some of the gap could be met by better funding of some of the existing programs, but the administration is not requesting that.

Increased funding for supplemental grants, for work-study, for State student incentive grants would help, but——

Mr. GRADISON. Would it help enough so that you would support their recommendations to eliminate the SSA payment if these other programs were so expanded?

Mr. SAUNDERS. We would feel better about the recommendation, but our basic point is that we are trying to work with the programs and improve the programs, and we are making recommendations this year in the reauthorization process as Congress reviews the student aid programs.

But we have no solution to this problem right now. We are simply saying that the administration's proposal is no solution either.

Mr. GRADISON. How would you feel about this suggestion, that the needs tested programs take into account fully the amount of the social security payment that is received by the student as a resource?

Mr. SAUNDERS. As I understand it, they do.

Mr. GRADISON. No; we were told that they do not totally take it into account. If I understood the earlier testimony, only a portion of these payments are taken into account.

Mr. SAUNDERS. In the sense that the tax rate applied on family income is only on a proportion of that income, that is true. But it is included in the total of family income that is added up before the needs analysis process takes place.

The problem is that the needs analysis process that exists today cannot provide anything like a dollar-for-dollar matching to make up for the loss of social security benefits. If $2,300 or $2,000, whatever the social security benefit is, is removed from the total family income as calculated under the basic grant program, the response of the system is to add another $100 or $200 to the student's aid.

Mr. GRADISON. Let me try this another way. I think we are talking now about the question of whether it is income to the family or the student. I perhaps am naively going to take the position, as long as we send the income check to the student—if we think it is income to the parent, we should send it to the parent.

That being the case, then, since we send the money to the student, shouldn't it reduce, apply totally—I don't care about the calculation of family income, but in terms of the grant, the Federal Government feels it has a responsibility to make to the student's education—shouldn't the SSA grant be used dollar-for-dollar as a reduction?

Mr. SAUNDERS. It is accounted for. I don't know that it should be a dollar-for-dollar reduction, but it is counted in the family income just as the student's own earnings or any family income is counted in the total assessment of what the family can contribute.

Mr. GRADISON. Let me try it another way. Assume we leave the SSA totally out of the calculation of the family income. We count zero, which is certainly moving in your direction. We won't take it into account at all. So, we get all the figures for the student and we decide that they are entitled to a grant of $1,500.

Mr. SAUNDERS. Yes.

Mr. GRADISON. But we also find out that that particular student getting $1,200 a year from SSA. Now, under those circumstances, how large do you think that the grant should be from the BEOG?

Mr. SAUNDERS. Well——

Mr. GRADISON. Should it be $1,500 or $300 or something in between?

Mr. SAUNDERS. Well, that gets into the equities of need analysis which is a very complex issue, and I just don't—I can't give you a clear answer. It would have to depend on the family circumstances.

Mr. GRADISON. We have measured it and we will put zero in for what comes from social security. We won't assume anything from social security which certainly doesn't overstate their income.

Mr. SAUNDERS. Well, again the confusion here is the concept of the benefit as a supplement to the family. Now, you are making the point, which is certainly true, that the check goes to the student. I have no way of knowing what percentage of students send that money home or what they do with it. But I assume the family is fully aware of those funds and it is taken into account in the family's adjustments they make for meeting the educational needs of the student and providing for the family at the same time, while the student is in college.

Mr. GRADISON. There has been another change in many States, at least since these laws went into effect, and that is the decline from 21 to 18 in the age of majority. I know individual families approach things in individual ways, but once that check reaches that student who is over 18, it is his. Now, he may, in fact, have an ethical and moral responsibility to the family, but to follow the logic of what you suggest, the check should go to mama, because mama decides how much of that will be used for education for that child as against the other needs of the family.

Mr. SAUNDERS. That would certainly be one thing to look at. I would also like to make the point that whatever the check is that goes to the student, in general, the total costs they are facing at the institution are far in excess of what that check may bring.

Mr. GRADISON. You know that is a spotty thing. In my own community, I know I have in my district four institutions of higher learning and virtually all the students attending all four of them—and there must be 40,000 students involved—most of them who are of age do live at home, and their costs are substantially lowered from the figures that you have mentioned.

I am sure of that. I also know from personal experience what it can cost to send somebody to a private school in New England.

But I would think that the average would be lower than—I would think it would be closer to what GAO is saying. Let me conclude by saying, I would appreciate it if you would take the GAO data, if you will and come back specifically if you think they are wrong and show us where they are wrong because I think that that would be very helpful.

Mr. SAUNDERS. We will be glad to do that.

Mr. GRADISON. Thank you, Mr. Chairman.

Mr. GIBBONS. Let me ask you something, Mr. Saunders. As I look over the list of clientele on the front of your testimony, it strikes me that none of the people that you represent are required to pay social security taxes. [Laughter.]

Am I not right? You are in the great unwashed 7 million people who don't pay this tax; am I right?

[No response.]

Mr. GIBBONS. Well, let me ask you this—you can't answer my questions, I guess. I know that I am right.

Let me ask you, do you pay social security tax on the salary that your receive from the American Council on Education?

Mr. SAUNDERS. Yes, I do.

Mr. GIBBONS. Well, you are 1 out of the 7 million, then, that do. [Laughter.]

You know, I am always amazed at these people who volunteer for all the rest of the working people of the United States to pay more taxes, and that is what this is, this testimony of yours is just that. I will say that you are consistent, though. In the 17 years I have been in the Congress, I have never found that the American Council on Education said that they had enough of anything. [Laughter.]

Perhaps if all of you paid the social security tax that all the other working Americans are required to pay, you would be willing to scream you have had enough.

Thank you.

Mr. SAUNDERS. Mr. Chairman, I don't think the record will show that the academic community doesn't pay social security taxes.

Mr. GIBBONS. They are not required to. By and large, under the Federal law, they have the option of paying it, they decide by institution or by State, and things of that sort. I think it is pretty well established that they take the most beneficial route to them.

Mr. SAUNDERS. It is public institutions, I believe, that have the option of going out.

Mr. GIBBONS. So do the private, nonprofit institutions. And they all do where they find it is to their advantage. They only come in if it is to the rest of the taxpayers' disadvantage.

Mr. SAUNDERS. I would be glad to submit a statement on the facts in that matter.

Mr. GIBBONS. Fine. I would like to have a vote of your association whether they would be willing to come in, all of you voluntarily, and pay the same tax that all other working Americans are required to pay—except Government employees—including Members of Congress. You know, we have had a history in this Congress of increasing this payroll tax, while we have decreased all other taxes. And yet, we are not required to pay into the system. It just strikes me, in fact, that you are here in the same boat as the Members of Congress. You are not required to pay the tax unless it is to your advantage.

And you are here advocating an increase in tax for the rest of working Americans.

Mr. SAUNDERS. Mr. Chairman, I think the record will show that the vast majority of educational institutions do pay social security.

Mr. GIBBONS. Well, I would be interested in seeing that record.

Mr. SAUNDERS. I would be glad to provide that for the record.

Mr. GIBBONS. Fine. They only do it voluntarily, they don't do it mandatorily like the other working Americans.

Thank you.

Mr. SAUNDERS. I would be glad to provide the percentage of the total community that is in the system.

[The information follows:]

Employees of state and local governments and nonprofit organizations, including colleges and universities, were not originally included in the Social Security program. Under the Social Security Amendments of 1950, these employers and their employees were made eligible to join the system voluntarily (although the law limited eligibility of public employees until 1954). In subsequent years most public employee groups (including those in publicly supported colleges) in most

states joined the Social Security system. Publicly supported colleges in six states do not participate, because the state has not requested coverage. About 90 percent of all private colleges and universities participate in the system, although they are not required to do so. The higher education community contributes over $1 billion annually to the system.

QUESTIONS SUBMITTED TO CHARLES SAUNDERS FOR HIS RESPONSE

1. You testified that Social Security student beneficiaries come from families with lower incomes than all families with children in college.

(*a*) In developing your data did you consider the fact that Social Security benefits which provide most of the income for these families are tax exempt?

(*b*) Further, did you consider that to receive Social Security benefits, one parent must be retired, disabled or deceased while this is not the situation in all families with children in college? In other words, isn't a better comparison with Social Security families one which accounts for the fact that one family head is not employed or that there may be only one parent?

(*c*) Do you agree that these are factors which should be considered in comparing family incomes of Social Security families with other families?

2. You stated that Social Security benefits are not student aid, but family income to supplement resources reduced by the removal of the parent from the work force:

(*a*) How do you reconcile this with the fact that benefits are paid to the student and not the parent?

(*b*) How do you reconcile this with the fact that for some types of families, the family benefit increases when the student leaves school?

(*c*) In your statement, you refer to the parents "removal" from the work force. Do you view retirement as a forced or a voluntary act?

3. Would you please explain your statement that there is no way existing student aid programs can restore the loss of Social Security benefits?

4. In your examples of impacts on families, you used $2,300 which you stated will be the average student benefit under Social Security in 1980–81. In your examples you show reductions in total benefits for students also receiving a basic grant.

(*a*) Have you made any analysis of this kind which takes into consideration other benefits these students may be eligible for and relating their total benefits to the cost of their schooling?

(*b*) None of your examples seem to account for situations where the family maximum actually increases when the student leaves college. Can you explain? Isn't the problem you're addressing in part related to the discrimination against smaller families (vs. larger ones) in the Social Security system?

5. You suggest that changes be made in student aid programs so that "needy families attempting to support a child in college do not suffer additional hardship. What is your definition of "needy"? How could this objective be accomplished?

6. Do you think as a general matter student aid programs are better vehicles to provide educational assistance than the Social Security program since they generally provide assistance based on need?

7. Do you have any comments on GAO's findings that:

(*a*) Many Social Security beneficiaries that could have applied for basic grants did not bother to do so?

(*b*) Many students receive benefits from Social Security and other programs in excess of their school costs?

8. Do you think Social Security benefits to high school students are necessary and should be continued?

9. During the hearing you said that the GAO estimates seriously underestimate the costs of college today and that your estimates are much higher. We would appreciate your (1) review of the GAO data, (2) analysis of the difference in their data and yours and (3) suggestions for making their data more accurate and useful to us.

RESPONSE TO QUESTIONS FROM THE SUBCOMMITTEE ON OVERSIGHT

1. The underlying concept of Social Security student benefits is to help offset the loss of family income due to the disability, death, or retirement of a primary worker. As a social insurance program, it is designed to consider the special circumstances of a family which loses a major source of income. It would be in-

appropriate to only compare Social Security families with (1) other families who have a single parent because of a voluntary act like divorce which often involves a child support and a property settlement, or with (2) two-parent families where a spouse chooses not to work. Social Security benefits are paid to beneficiaries who become eligible because of circumstances beyond their control, that is, aging, death, or disability. Data from both the Congressional Budget Office (CBO) and the General Accounting Office (GAO) confirm that the median income of students from families receiving benefits is low. The CBO report further explains that the income in these Social Security families is appreciably lower than similar families with college-age children, even when one controls for the absence of federal taxation on benefits.

2. Benefits since 1974 have been paid by law to postsecondary students directly. The student is a family member and the fact that payments are made to this member does not change the family composition.

The total family benefit does not increase when the student leaves school. The benefits per family member might increase depending upon the size of the family. There is a maximum set for each family based on prior income, the eligibility category, and the number of dependents. For example, in a family of one widow and one child, the widow and the child each would receive 75 percent of the primary insurance amount (PIA). If this family had four children, the widow would still receive 75 percent of PIA, but the three children would have to split the remaining benefits, Normally, total benefits received by a family can not exceed 180 percent of PIA. Therefore, the 105 percent of PIA left (after the widow's share) would be split among the four children. If one of the children were to leave college, the total dollars received by the family would not change but the amount per child would increase (105 percent of PIA split three ways).

Prior to last year, workers generally faced mandatory retirement at age 65. While theoretically retirement may be voluntary, aging is not; and the Social Security Administration reports that the majority of persons who retire early do so for health reasons. In many other cases arbitrary age limits are the sole basis for a retirement decision. The majority of Social Security student recipients become eligible through the death of a worker; only 18 percent qualify due to a retired worker.

3. From the three examples in the testimony, it is clear that the existing BEOG program can not restore the loss of Social Security benefits. The average loss to the student in these examples is approximately $2,000. The Carter Administration has not proposed any additional funds for the campus-based student aid programs (SEOG, CWS, and NDSL) to cover the increased demand expected from low-income students who would be denied Social Security benefits.

The fact that the BEOG award calculations (which average less than Social Security) already take Social Security into account is evidence that Congress was aware of their relationship and did not intend for BEOG to replace Social Security benefits. Obviously, a lesser benefit could not replace a larger one.

4. Social Security payments are intended to be an entitlement to eligible students. By contrast, the inadequacy of campus-based student aid monies results in uneven availability of funds: different types of colleges receive larger shares of these dollars than others, and the characteristics of students aided also varies by type of college attended. Needs analysis formulas for student aid are designed to consider funds received from Social Security benefits and BEOG grants before awarding other campus-based funds.

5. It is difficult for many families to fully finance their children's college expenses. Currently about one in two undergraduates is receiving student assistance from federal, state, institutional, or private sources. Some low-income families have difficulty in financing one child through college. Other families, of any income range, face unusually high charges when several children are enrolled simultaneously. There is no single definition of a "needy" family; instead, individual circumstances affect a particular family's ability to provide adequate financial support. Payments under the Social Security program are critical in supporting college students in general, and students from families with modest resources in particular.

The Carter Administration claims that Social Security students could be fully covered under the existing programs, but, in fact, typical recipients could lose an average of $2,000. Substantial additional Office of Education funds would be needed to replace Social Security educational benefits without a drop in resources available to students whose families are currently covered by Social Security.

6. As we have pointed out, Social Security student benefits are received as an entitlement. Consequently, a family whose financial structure has already been

affected by death, disability, or retirement can plan on receiving these benefits when they are allocating their remaining family resources. Federal student aid awards are subject to the uncertainty of the appropriation levels and are not available in sufficient amounts at all types of institutions in all states.

7. We do not have a clear understanding of why many low-income students are not applying for BEOG awards. This is also true for those Social Security recipients who would qualify for both. We do, however, know that there are still problems because adequate student aid information is not available.

Most of the students whom GAO identified as receiving "overpayments" received less than $600 per year in excess of their stated expenses. Social Security payments are not tied to the actual tuition levels of a given institution. Moreover, these payments, as part of family income maintenance are disbursed on a 12-month basis. Consequently, recipients also use the benefits for living costs during the summer months in between semesters.

8. For many Social Security beneficiaries who are enrolled below the post-secondary level, the benefits are crucial to keep students in school who would otherwise leave and enter the labor market prematurely.

9. We have several comments concerning the recent GAO study. First, we question the usefulness of the student charge data collected by GAO from a sample of institutions in California and New York. Nationally, 24 percent of the students enrolled full-time are attending community colleges; but in California, that proportion is 42 percent. Community colleges in California have also historically had one of the lowest level of student charges of any group of colleges in in the country. Moreover, the GAO collected estimates of student expenses from the institutions and not from the students themselves. Typically, institutional assumptions of student expenses underestimate noninstructional costs such as transportation, room, board, and personal expenses normally incurred by students. The table on page 132 has been prepared to illustrate the actual charges faced by students in the recent past and include projections to the year 1982–83. This table is based on data from both the National Center for Education Statistics and College Scholarship Service annual series on student charges.

Second, the GAO testimony concludes that the "Social Security program is not well suited to meeting the educational needs of covered beneficiaries. . . ." On the contrary, Social Security college students can depend on Social Security payments to help their families finance their educational costs whereas the funding of federal student-aid programs fluctuate with appropriation levels and allocation formulas which contain uncertainties and distributional inequities.

Third, ACE supports the Social Security Administration project to resume their efforts to verify the full-time enrollment status of Social Security college student recipients. The American Association of Collegiate Registrars and Admissions Officers has sent out a special memorandum to alert institutional administrators that the validation project will be starting in spring 1979. The higher education community is anxious to help solve any problems involving invalid payments being sent to students who do not qualify for Social Security benefits.

Mr. GIBBONS. The next witness is Mr. Michael Romig, who is the director for economic security, Education and Manpower Section of the Human and Community Resources Division of the U.S. Chamber of Commerce.

Mr. Romig, you may proceed as you wish.

STATEMENT OF MICHAEL ROMIG, DIRECTOR, ECONOMIC SECURITY, EDUCATION AND MANPOWER SECTION, HUMAN AND COMMUNITY RESOURCES DIVISION, CHAMBER OF COMMERCE OF THE UNITED STATES

Mr. ROMIG. Thank you, Mr. Chairman.

I won't repeat my title. It is long enough and——

Mr. GIBBONS. It sure is.

Mr. ROMIG [continuing]. It has been a long morning. I am pleased to be able to have this opportunity to present our views on the Nation's social security system on behalf of the 80,000-plus membe s of the national chamber.

I am going to summarize my statement and ask that it be inserted in the record.

Mr. GIBBONS. Without objection, it will be inserted in full.

Mr. ROMIG. The United States appears to be in the early stages of a social and economic change of enormous importance. Demographic, employment, and retirement patterns suggest numerous problems ahead in terms of meeting the needs of the elderly who, by 2030, may constitute over 20 percent of our population.

Conversely, the needs of the youths of our Nation will be diminishing. Concerns about the adequacy of retirement income and national policies designed to encourage sound retirement savings take on a sense of urgency when we consider that the number of older citizens in America is increasing and that, because of advances in longevity and improvements in pension programs, the number of years spent in retirement is growing as well. These trends will have a dramatic impact on retirement costs.

Already 24 percent of the fiscal year 1979 budget of the Federal Government is allocated to the elderly. Old age insurance, survivors and disability insurance, medicare, supplemental security income and black lung benefits will pay out more than $94 billion to persons over 65. Another $14 billion will be paid to this group under Civil Service, railroad and military retirement programs. Still another $4 billion will go to the elderly under other programs providing housing subsidies, food stamps, and social and unemployment services. In addition to these outlays from the Federal budget, we can readily count about $19 billion to be paid in private pension benefits this year and another $11 billion from State and local government retirement programs.

These expenditures, large as they are, pale in comparison to HEW's estimates of $635 billion per year in 2025—more than 40 percent of total estimated Federal Government outlays. Private and public pensions can be expected to escalate as well and add many more billions to supplement the incomes of those over 65.

Whether these costs can be afforded is a serious question and one that must be answered soon if people are to make adequate preparation for their retirement security.

For these reasons we are extremely pleased to note the establishment of the President's Commission on Pension Policy (Executive Order 12071, July 12, 1978). This Commission is to undertake a comprehensive review of retirement programs and develop national policies to insure that the programs are effective and equitable and take into account available resources and relevant demographic changes.

We hope this Commission will render valuable assistance to the Congress and the private sector as we move to meet the challenges ahead. And we hope that this committee will take the necessary steps to see that the Commission is afforded sufficient opportunity to carry out its important tasks.

Foremost among these is the cost of social security. As members of this committee know all too well, social security taxes have begun a rocket-like launch to mind-boggling levels. Last year's maximum tax of $1,070 will increase by 1990 by almost fourfold. This, of course, has set off an avalanche of protests by employers and employees alike.

The chamber, like the Congress, has heard from its constituents albeit in our case maybe not as forcibly as in your case. I am sure the message was quite similar and quite simple, "Do something about social security." That is exactly what we at the chamber have been trying to do since 1976.

First of all, in our study we rejected out-of-hand suggestions to do away with social security. It has become too important a feature of our daily life to casually flip aside. To do so, in our opinion, would create greater problems than we face now.

We also looked at alternative funding sources. Here, of course, we rejected general revenue financing largely because it merely transfers the problems elsewhere.

We did support the higher taxes enacted by Congress in 1977, albeit our formula would have spread the burden among more participants. But despite the massive payroll tax increase social security's long-term future remains shaky. Thus more must be done.

We start with two suggestions: First, revenues must be increased without raising the tax rate or the taxable wage base ceiling. The most logical and fair way to accomplish that is to enact compulsory universal coverage.

Second, we must begin, as this committee is beginning to do this morning, to critically examine the benefit structure of the program, to see if there are some areas which might be reasonably cut back without unduly punishing current beneficiaries.

We think the student benefit program neatly falls into this category. Indeed, after listening to the testimony this morning, I have no doubt that this is the case. This program, born in the 1960's when we as a Nation felt that we could afford just about anything, is now entering the era of the 1980's, a period of austerity.

Now is the time to begin to critically examine all these educational assistance programs. If the GAO findings are correct, then I think the impact this morning is devastating upon the student benefit program under social security.

The chamber has always viewed student benefits as a tuition program and not income maintenance; as the GAO testimony so ably revealed, it is a very poor tuition program fraught with many inequities. Since the advent of the basic educational opportunity grant and the liberalization of that program and the many other Federal programs, we have become convinced that the need for student benefits should no longer be viewed as a priority.

Certainly the earlier testimony reaffirms that conclusion. Continuation of student benefits, on the other hand, asks already hard-pressed taxpayers to support an inherently unfair and questionable program.

We urge this committee on the evidence presented here to press for the elimination of the student benefit program.

To conclude, let me add that industry is not against students getting educational assistance. Business needs and wants a supply of new and qualified entrants into the work force. Tuition assistance is a factor in obtaining that supply. On the other hand, we do want to see that everybody's tax dollars are spent wisely.

We think that phasing out student benefits falls into this latter category.

Thank you.

[The prepared statement follows:]

STATEMENT OF MICHAEL J. ROMIG, CHAMBER OF COMMERCE OF THE UNITED STATES

My name is Michael J. Romig. I am Director of the National Chamber's Economic Security, Education and Manpower Section.

I am pleased to be able to have this opportunity to present our views on the nation's social security system on behalf of the 80,000 plus members of the National Chamber. With our nation's retirement income systems financed largely by employer contributions to social security, private pensions, profit sharing and welfare plans, the business community has a vital stake in our retirement programs. In keeping with the notice of these public hearings, I will focus our comments on the issue of phasing out benefits for students 18–22 under the Social Security program—a move we support.

Before doing so, I would like to offer some general observations about the Social Security program and the problems we forsee for this program unless change is forthcoming.

RETIREMENT: A NATIONAL CONCERN

The United States appears to be in the early stages of a social and economic change of enormous importance. Demographic, employment and retirement patterns suggest numerous problems ahead in terms of meeting the needs of the elderly who, by 2030, may constitute over 20 percent of our population.

Concerns about the adequacy of retirement income and national policies designed to encourage sound retirement savings take on a sense of urgency when we consider that the number of older citizens in America is increasing and that, because of advances in longevity and improvements in pension programs, the number of years spent in retirement is growing. These trends will have a dramatic impact on retirement costs.

Already, 24 percent of the fiscal year 1979 budget of the federal government is allocated to the elderly. Old Age Insurance, Survivors and Disability Insurance, Medicare, Supplemental Security Income and Black Lung benefits will pay out more than $94 billion to persons over 65. Another $14 billion will be paid to this group under Civil Service, railroad and military retirement programs. Still another $4 billion will go to the elderly under other programs providing housing subsidies, food stamps, and social and unemployment services. In addition to these outlays from the federal budget, we can readily count about $19 billion to be paid in private pension benefits this year and another $11 billion from state and local government retirement programs.

These expenditures, large as they are, pale in comparison to HEW's estimates of $635 billion per year in 2025—more than 40 percent of total estimated federal government outlays. Private and public pensions can be expected to escalate as well and add many more billions to supplement the incomes of those over 65.

Whether these costs can be afforded is a serious question and one that must be answered soon if people are to make adequate preparation for their retirement security.

For these reasons we are extremely pleased to note the establishment of the President's Commission on Pension Policy (Executive Order 12071, July 12, 1978). This Commission is to undertake a comprehensive review of retirement programs and develop national policies to ensure that the programs are effective and equitable and take into account available resources and relevant demographic changes.

We hope this Commission will render valuable assistance to the Congress and the private sector as we move to meet the challenges ahead. And, we hope that this Committee will take the necessary steps to see that the Commission is afforded sufficient opportunity to carry out its important tasks.

SOCIAL SECURITY: A NATIONAL CONCERN

The cost of social security is also a matter of national concern. Granted, today's workers are letting the Congress know how much they dislike the tax increase approved in 1977 but today's workers should have as much concern about the costs of social security when it is their turn to retire.

Despite the massive payroll tax increase—over $220 billion in the next 10 years—the social security system remains in trouble. Payroll taxes will soon cover

nearly all wages paid in America. Presently, they are imposed at an over 12 percent rate (6.13 percent) by employers and 6.13 percent by workers) but that figure must be doubled early in the 21st century to keep the promises being made today. If today's workers are rebelling at the prospect of 12 to 14 percent payroll taxes, what certainty is there that tomorrow's workers will be willing to pay a rate double today's?

Seeking new revenue sources appears to be a lost cause. The federal government has considerable trouble staying within its own revenue limitations. Indeed, its deficit spending practices have escalated the cost of retirement programs. Thus, we are left with re-examining the system itself to determine how we might control its costs. This is essentially what President Carter proposes to do with his recommendations to reduce program costs by $0.6 billion in fiscal year 1980 and $1.7 billion in 1981. While we commend the President and support his recommendations for streamlining social security and eliminating unnecessary benefits, much more must be done if we are to slow the precipitous growth ahead in social security payroll taxes.

Quick Congressional action on the President's proposals must be an initial step. So too must the move to compulsory universal coverage for all gainfully employed workers—including members of Congress and federal civilian employees. Thereafter, we should be moving to develop a retirement policy that will reflect our needs for the next five decades—a period selected because it represents the combined total years of work and retirement that a new entrant to the workforce can anticipate.

PHASE OUT STUDENT BENEFITS

Thus, it is in the larger context of the fiscal integrity of our social security system that we approach the question of whether social security benefits should be continued for full-time students between the ages of 18 and 22. We are convinced that this program is neither fair nor a necessary use of scarce social security trust fund money. Accordingly, it is our recommendation that the Congress phase out the student benefit feature of the social security program.

HISTORY OF STUDENT BENEFITS

When social security was enacted in 1935, the only benefit was a pension paid to a retired worker. In 1939 Congress added survivors' benefits for the widows and children of deceased workers. The children's benefits stopped at age 16 if they were out of school, and 18 if they were in school. In 1946 the law was amended to make the eighteenth birthday the cut-off date, whether the dependent was in or out of school.

Then in 1965 the Congress extended children's benefits to those in the 18-to-21 year age group if they were unmarried, full-time students. In 1972 the cut-off date was changed from the month of the twenty-second birthday to the end of the school term in which that birthday occurred. The Congress justified the 1965 change by observing that a child over 18 who is attending school full time is dependent just as a child under 18 or a disabled older child is dependent.

It is important to note that when the Social Security Amendments of 1965 became law on July 30, 1965, there were no federal programs to provide grant assistance to students as such. The sponsoring legislative committees estimated that 295,000 students would qualify for $195 million in social security payments in the first full year of the program. In fact, 376,000 students qualified and $323 million was paid out—thus, first year participation was 27 percent higher and 66 percent more costly than predicted.

The Congressional Budget Office also reported that in the fall of 1975, one-eighth of all full-time enrolled 18 to 21 year olds were drawing social security student benefits. During fiscal year 1977, outlays were over $1.6 billion, with 481,000 students on the rolls, receiving an average annual grant exceeding $1,900.

The Social Security Administration expects the number of student beneficiaries to continue to rise over the next few years, but at a slower rate than in the past. The cost will also rise so that by fiscal year 1982 there will be 910,000 student beneficiaries receiving $2.5 billion.

THE COST OF SOCIAL SECURITY

How much are student benefits costing social security? The shorthand way of expressing the long-term costs of social security benefits is to state them as a percent of taxable payrolls. In the case of student benefits, the 1965 estimates

was that they would cost 0.12 percent of payrolls in the long run. The actual cost in recent years has been about 50 percent higher.

	Percent
1972	0.16
1973	.16
1974	.17
1975	.18

For fiscal year 1977, the cost of social security student benefits was approximately $20 for each worker in covered employment. We estimate that in 1981 will be about $25 per worker or approximately ½ of the increased taxes scheduled for a $10,000 wage earner in that year.

ELIMINATION OF STUDENT BENEFITS

The suggestion to do away with the student benefits feature of social security is not new. In January 1976, and again just before the end of his term, President Ford recommended phasing out OASDI student benefits. His recommendation was based in part on a preceived need to reduce the drain on the social security trust funds, and in part on the argument that other federal programs are better targeted toward needy students.

President Carter withdrew President Ford's proposal in 1977 and suggested instead a ceiling on annual payments to social security student beneficiaries equal to the Basic Educational Opportunity Grant (BEOG) ceiling ($1,400 in school year 1977–1978 and $1,600 recommended for the following school year). Now in 1979, President Carter has revised his proposal to phasing out post-secondary school student benefits.

As did President Ford, President Carter argues that it would be more appropriate for needy students to receive assistance under the basic education opportunity grants (BEOG's) which take into account the cost of the education and the family's ability to pay.

We agree. An examination of those receiving these benefits reveals that over 70 percent are from households with annual incomes below the average household income in the United States. Consequently all of these would be eligible for the BEOG. And, because the Middle Income Assistance Act approved by Congress broadened eligibility under the BEOG program and eliminated income limits under the Guaranteed Student Loan program, there should be little reason why any current student beneficiary could not apply for any of these other federal student aid programs.

Continuation of the student benefit program, on the other hand, constitutes what we consider to be an unfair and inequitable feature of social security. Why should young workers—those at the lowest wage levels—be taxed to finance other youngsters' education? Or for that matter why should young married couples raising a family do so? Or those working full-time in order to attend school part-time? Instead, why should scarce social security monies be used at all? We believe that there is no satisfactory answer to any of these questions. Consequently, the National Chamber believes that it is time to end the student feature of social security. We hope that these oversight hearings will lead to a similar conclusion.

Mr. GIBBONS. Mr. Jenkins.

Mr. JENKINS. I have only one question, Mr. Chairman.

I understand that the chamber supported the increase in the social security tax last year?

Mr. ROMIG. Our position was to support an increase in the tax. Our formula for a tax was quite different than what was enacted.

Mr. JENKINS. I understand that. I just don't believe that it siphoned down to my district if you were supporting the increase in the taxes as passed by the Congress.

I was thinking you actively opposed it.

Mr. ROMIG. We would have preferred a higher tax rate—more reliance on increases in the tax rate as opposed to the increases in wage base.

Mr. JENKINS. I want to tell some of the local chambers back home that, because they have been somewhat critical. I will have to tell them that the chamber really supports it.

Thank you.

Mr. GIBBONS. Mr. Moore.

Mr. MOORE. No questions, Mr. Chairman.

Mr. GIBBONS. Thank you. We appreciate your testimony today.

Mr. ROMIG. Thank you.

[The following was subsequently received:]

CHAMBER OF COMMERCE OF THE UNITED STATES,
Washington, D.C., March 6, 1979.

Hon. SAM M. GIBBONS,
Chairman, Subcommittee on Oversight,
House Committee on Ways and Means, Washington, D.C.

DEAR CHAIRMAN GIBBONS: In your letter of February 23, 1979, you posed five questions for response. These questions and the National Chamber's response follow:

1. *Question.* On the basis of your statement would you suggest that we should return to the earlier policy of covering children through the age of 17 or 18 under the family benefit rather than continuing student benefits for high school students as the President has proposed?

Response. Without question the thrust of our position is the elimination of the student benefit feature of social security dependents' benefits. We fully support the provision of dependents' benefits and believe that age as opposed to occupational or student status is to be preferred.

2. *Question.* What's your answer to those who urge the retention of the student benefit program because it was intended as family income in order to supplement resources reduced by the removal of a parent from the work force?

Response. Needy individuals who are adversely affected by the phase-out will, in all cases, be able to receive benefits from other federal educational assistance programs. Additionally, they may also turn to other state, local and private sources for aid.

3. *Question.* What is your view of the adequacy of the other educational assistance programs to successfully assist the students in question—for example, in terms of grant amounts, eligibility requirements, application procedures, efficiency of administration, etc.?

Response. We are informed that the existing federal programs are largely successful in their efforts. We do not believe that a decision on maintaining student benefits should be based on the relative success of other programs. If these other programs are unsuccessful, then Congress ought to make the necessary changes to those programs. It should not continue a social security program that is duplicative and costly when a primary need for social security is to reduce its costs.

4. *Question.* We have been told that the loan programs for example are of no real help because financial institutions are unwilling to make any new loans to students. Would you please comment on this problem.

Response. The consumer lending industry's commitment to the Guaranteed Student Loan Program dates back to the pre-1965 period when it played a major role in support of the passage of the Higher Education Act. Since that time, the industry has responded well to the needs brought about by the increasing cost of education. It has been hampered, however, by the many problems and disincentives that have plagued the program almost since its inception. Insufficient earnings rates, administrative redtape, high rates of default, and frequent legislative and regulatory changes are some of the major problem areas that have emerged during the span of the program.

Despite these problems, student loans have received a large degree of support by the financial community and have had a profound effect on the degree of post-secondary educational achievement in the country. As of September 30, 1978, over 11 million loans totalling in excess of $13.5 billion has been extended. During 1978 alone, there were $2 billion committed to the extension of approximately million loans.

5. *Question.* Would your organization support increases in the budget for these other programs to pick up the slack?

43-046—79——8

Response. No. We do not believe that a slack exists. Moreover, the decrease in college enrollments indicates that the current needs are diminishing.

Very kindly yours,

MICHAEL J. ROMIG,
Director, Economic Security, Education and Manpower.

Mr. GIBBONS. Mr. Joel Packer, legislative director, U.S. Student Association (USSA).

STATEMENT OF JOEL PACKER, LEGISLATIVE DIRECTOR, U.S. STUDENT ASSOCIATION, WASHINGTON, D.C.

Mr. PACKER. Thank you, Mr. Chairman.

Mr. GIBBONS. We will put your testimony in the record, together with the press release from the National Council of Senior Citizens.

Mr. PACKER. I appreciate that. I will summarize some of the points.

Mr. GIBBONS. Fine.

Mr. PACKER. We basically have four reasons for opposing the elimination of the social security student benefits as proposed by the administrator.

The first one, and foremost one, is I guess a philosophical argument. We believe that the administration's proposal which claims that students are more appropriately served under other student assistance programs, misrepresents the whole purpose of the social security student benefit.

We feel very strongly that this program, like the entire Social Security System, is an insurance program. It is intended to partially compensate for lost wages of the primary worker due to death and/or disability, or retirement, and we consider this money not to be specifically student aid in the sense that the Office of Education programs are, but to be part of family income.

In fact, Congress specifically recognized this as late as 1976 in the passage of the 1976 Education Amendments. One of the provisions of that legislation mandated by law that the Office of Education change the formula for calculating the student's basic grant award to consider social security benefits as family income and not as student income.

The benefits are not need-based but relate to previous earnings of the worker. In fact, there are limits on the amount the student receives due to the family maximum rules mentioned earlier, and according to some data almost 43 percent of all student beneficiaries have their checks reduced because of the family maximum rule which, again, shows how this relates to the overall family income and is considered part of that income.

The Social Security Administration in 1976 articulated this far better than I can, and let me read what they said—

"Unfortunately, the student benefit is sometimes misunderstood to be a form of aid rather than a component of family income. Despite its name and the requirement for school attendance, the student benefit program is not a grant, scholarship, loan or aid program. The distinction is fundamental."

We think it is, and we hope this committee recognizes that distinction. If that distinction is accepted, then the entire argument of the General Accounting Office and the administration that these benefits are duplicative of student aid benefits simply falls flat and is nonexistent because one is family income, the other is student aid.

One last point on this which I didn't mention in my testimony is that social security benefits are received on a 12-month basis. Part of it, therefore, goes to the student while not attending school, while they are presumably back home living with their parents, again pointing to the fact that this is intended to supplement family income and provide support to the family to provide for the child still dependent on his or her parent while living at home in the summer.

If you remove that summer portion of the benefits from the total social security benefit, and compare it to other student aid, I believe the GAO charts would not be as dramatic in terms of, quote-unquote, duplicated benefits.

A second major argument against tampering with the program is simply as stated by others, that recipients are generally very low income. One report from the Congressional Budget Office in 1976 showed that 68 percent of all outlays for the student program were received by students with family incomes below $10,000. Eighty-eight percent were below $15,000 and only 4 percent had more than $20,000 income.

The median income of these student recipients is far lower than the median average income and lower than the median income of other students in college. All of which, again, points to the fact of how these benefits are vital to their attending college.

One particularly important point is that, as a chart attached to my testimony shows, as of 1975 the net price of college, which is defined as total college costs minus all grant aid received, including social security benefits and family resources, has been roughly equalized.

In other words, the student without regard to his family's overall income, the net price they have to pay to go to school, for any given cost of college, is approximately the same up to families with $20,000 income.

Removing the social security benefit will simply thrust these lower-income people further into debt and put up a much larger barrier for these people to be able to go to college, and we believe force a lot of them out of school.

Our third point is that, while the administration believes the student beneficiary should more properly receive money through Office of Education programs, there are two drawbacks there—the first is, as I stated, the relationship between the social security benefit and the BEOG is such that on the average for every $10 cut from the social security benefit, only $1 will be added to the basic grant program. This is mandated by law under the basic grant family contributions schedule, where social security benefits are part of family income.

Discretionary family income, after allowing for taxes paid, and living allowance, is assessed at a 10.5 percent taxation rate; so 10.5 percent of the social security benefits are expected to be attributed to the cost of education for the child. Therefore, after eliminating these benefits, at most the student receives $1 for every $10 lost from social security through BEOG—clearly not enough to offset any hardship imposed on them.

The second problem, and one which really causes us to question the whole administration proposal, is simply that, even though there will be some increased cost in basic grants, the administration has not included the increase in their budget for BEOG or other student aid programs.

In fact, upon questioning the Commissioner of Education, he stated to us that all the estimates for the Office of Education student assistance programs for fiscal 1980 were derived before the Office of Education was made aware that the administration was going to be proposing elimination of social security benefits.

So, on the one hand, the administration is saying these people should get money from student aid, and, on the other hand, they are not providing money for that. To us, it seems like they are playing games and they are playing games with the lives of 600,000 college students.

Our last point is simply that we do not believe the social security system should be used as a budget-balancing device, which is what the administration seems to be proposing. Once we repeal the student benefit, if that is done, this will lead to attacks on other parts of the system to offset future budget deficits. Who can say what the administration will try to cut back next year to help balance the budget?

We are not alone in our concerns about that, and, as I say in my testimony, an organization called "Save Our Security," which is composed of more than 50 national organizations has been formed to fight the entire range of proposed social security cuts, including the elimination of the student benefit.

This is a coalition which is composed of such diverse groups as the American Federation of Labor, the American Jewish Committee, the National Organization of Women, several senior citizens groups, the Children's Defense Organization, et cetera, et cetera, as well as such distinguished individuals as former HEW Secretary Wilbur Cohen. former Commissioner of Social Security Robert Ball, and former Commissioner on Aging John Martin.

In closing, I would encourage this committee and the entire Congress to seriously analyze and review the benefits in assessing the student social security benefit program, and reject any and all attempts to eliminate it.

The previous administration under President Ford twice proposed elimination of this program, and the Congress summarily rejected those recommendations.

We hope they will do that again.

I would be happy to answer any questions.

[The prepared statement and attachments follow:]

STATEMENTS OF U. S. STUDENT ASSOCIATION, JOEL PACKER, LEGISLATIVE DIRECTOR

Chairman Gibbons and members of the committee, I would like to thank you for the opportunity to speak here today. My name is Joel Packer and I am Legislative Director of the United States Student Association (USSA) which is the largest national student organization in the country. Enrollment at our member campuses and statewide-associations is approximately three million college and university students.

I would like to make a few remarks today in support of the Social Security benefits for full-time college students aged 18 to 21. As you are aware, this program was enacted in 1965 and provides benefits to students whose parents are dead, disabled or retired. For the year ending December 1978, 817,506 students received these benefits, averaging about $2,000. Of these beneficiaries 60.8 percent qualified because they were children of deceased workers, 20.6 percent were children of disabled workers and 18.6 percent had parents who were retired [1] The most recent data available, from a 1976 Social Security Administration (SSA)

[1] "Information on Social Security Student Beneficiaries Assembled by United States General Accounting Office," February 1979, Chart 6.

report,[2] show 21 percent of the students were in high school and the remaining 79 percent in some post-secondary educational institution. Officials from General Accounting Office (GAO) estimate the cost of this program, for the 1977–78 academic year, was $1.547 billion.

The Administration is proposing, as part of its fiscal year 1980 budget, to completely eliminate the SSA student benefit by phasing it out over four years. They propose this because, as the President's budget states, these students are more appropriately served through other need-based Federal student assistance programs. We strongly object to this cutback for several reasons.

First, it misrepresents the SSA student benefit as a student assistance grant type program. This program like all of the Social Security system, is an insurance program. It is intended to partially compensate for income lost from the death, disability or retirement of a worker, in this case, the parent. The benefits are not considered student aid, but are used as part of family income. Congress specifically recognized this fact that when it passed the 1976 Education Amendments. One provision of this act amended the eligibility formula for the Basic Educational Opportunity Grant Program (BEOG) to include student SSA benefits as family income, rather than student income, in determining the amount of student BEOG.

The system is based on the concept of self-help with workers and their employer contributing a percentage of the income to the SSA Trust Fund. The benefits are not need-based, but are related to the previous earnings of the worker. Children of deceased workers receive 75 percent of the primary insurance amount, while children with disabled or retired parents are entitled to 50 percent of this amount. (The primary insurance amount is related by law to the average monthly earnings of the worker.) There are certain limits, however, to the total SSA benefits a family can receive. Thus 43 percent of all student beneficiaries have their checks reduced because of the family maximum rule.[3]

The Social Security Administration has articulated, very clearly, the role and purpose of the student program, in a 1976 issue of the *Social Security Bulletin.*

"Unfortunately, the student benefit is sometimes misunderstood to be a form of aid rather than a component of family income. Despite its name and the requirement for school attendance, the student benefit program is not a grant, scholarship, loan or aid program. The distinction is fundamental."[4]

If one accepts the social insurance principle and the fact that the SSA student benefits are a supplement to family income, then arguments that they duplicate student assistance programs, like Basic Grants, simply fall flat.

Our second major argument against tampering with the program is simply that the recipients of the funds are generally low-income youth. While little detailed analyses have been conducted on student beneficiaries, information on family income distribution is available. According to one CBO report,[5] as of December 1976, 68 percent of all outlays for the program were received by students from families with incomes below $10,000. Eighty-eight percent were below $15,000 and only four percent had more than $20,000 income. The new GAO report provides information from the Bueau of Census for 1975 parental income, updated to 1977 dollars. These figures show 71.4 percent of SSA student beneficiaries had parental income below $15,000.[6]

The SSA study, from 1976, found the median family income of student recipients attending college in 1972 was only 71 percent of the median income of all families with 18 to 24 year old children in college.[7] It is clear that these people are not wealthy individuals who are inequitably benefiting from the system. They are poor families, which have lost the services of the wage earner. Social Security records also show a higher percentage were black than the percentage of overall college students.[8]

Elimination of this important program will thrust these families deeper into poverty. The Administration's plan strikes us as insensitive, and ill-conceived, especially if one reveiws how the program funds affect student recipients. The 1976 SSA study shows one-third of the beneficiaries would not be in school full-time at all, were they not receiving benefits.[9] The attached table reveals the net

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[2] "Characteristics of Student OASDI Beneficiaries in 1973: An Overview," Social Security Bulletin, November, 1976.
[3] "Social Security Benefits for Students," Congressional Budget Office, May 1977, p. 6.
[4] Social Security Bulletin, November 1976.
[5] "Postsecondary Education: The Current Federal Role and Alternatives," Congressional Budget Office, February 1977, page 17.
[6] "Information on Social Security Beneficiaries," GAO, Chart 13.
[7] "Characteristics of Student OASDI Beneficiaries in 1973".
[8] Ibid.
[9] Ibid.

college price tag, defined as total college cost minus all grant aid received by the student (including SSA benefits) and family contribution, was roughly equalized for all families from incomes up to $20,000. For any given level of college cost, the net price barrier students faced was the same. We can conclude that by eliminating the SSA benefit, the net price for these students will dramatically increase, probably keeping large numbers of them outside the doors of higher education.

Third, while the Administration believes the student beneficiaries should more properly receive money through Office of Education (OE) student aid programs, there are several major drawbacks to this concept. The relationship between SSA student benefits and the BEOG program is such that, on the average, for every $10 cut from SSA only one dollar is added to the Basic Grant. Why? Because SSA funds are counted as family income in the BEOG Family Contribution Schedule. Law specifies that 10.5 percent of discretionary family income (gross income minus taxes, a living allowance and any unusual expenses) should be contributed to the student's education. This family contribution is then deducted from the maximum grant size to arrive at the individual student award. Therefore, eliminating the SSA student benefit would decrease the family income causing a decrease in the expected family contribution and an increase in the award, but in an amount only 10.5 percent of the lost income. Actually, those from incomes below $7,500 who now receive the maximum BEOG award of $1,800 would not see any increase in their award. The testimony earlier today, of the American Counsil on Education (A.C.E.), provides some startling examples of the large sums of money that would be lost by these families even after consideration of any increase in the student's BEOG.

The Administration's budget language, which implies the student beneficiaries will be adequately served by BEOG and other student aid programs, turns out be hollow, misleading rhetoric. Indeed, a high level SSA staffperson told me that the language is misleading.

The other problem with the idea that student aid would replace the much needed SSA money is that no increases have been recommended for BEOG and other OE student assistance programs to meet any increased demand. At the budget briefing on the Office of Education budget on Jan. 20, 1979, the Commissioner of Education seemed unsure of what the impact might be on BEOG after terminating the SSA student benefits. When questioned, he first replied that the President's recommendations of $2.6 billion for Basic Grants could cover any increase in eligibility of the SSA students. However, he later admitted that the estimates for BEOG and other student assistance programs were all derived before it was known that the SSA student benefits would be phased out.

GAO, in its report, states that the Office of Education now estimates that $101 million in increased Basic Grant costs for the next two years will result from the elimination of the SSA student program. Still, no such funding is included in the budget. The Administration appears to be playing games, and the future of 600,000 college students and their families is at stake. USSA is shocked by the cavalier attitude of the Administration on this matter.

Our final reason for opposing any elimination of this program, is that we do not believe that the Social Security system should be used as a budget-balancing device. Repealing the student benefits may very well lead to attacks on the entire system. Once the precedent is set for eliminating a part of the program, who can say what the Administration will try to cut next year to help "balance the budget?"

We are not alone in our grave concerns about the Administration's actions. A coalition, Save Our Security, composed of more than 50 national organizations, has been formed to fight the proposed Social Security cuts. Organizations such as the AFL–CIO, the American Jewish Committee, AFSCME, the Children's Defense Fund, IAM, the National Council of Churches, NOW, UAW, the National Council of Senior Citizens, AARP, the National Caucus of Black Aged, the American Council on Education, and USSA, as well as such distinguished individuals as former HEW Secretary Wilbur Cohen, former Commissioner of Social Security Robert M. Ball, and former U.S. Commissioner on Aging John Martin have all joined together in this struggle. A copy of a news release, announcing the coalition's formation is attached.

Mr. Chairman, in closing, I urge this committee and all of the Congress to seriously analyze and review the benefits and necessity of the SSA student program, and to reject any and all attempts to eliminate it. President Ford twice proposed elimination of this program and Congress wisely rejected his recommendations. The students of this country hope that you will do so again.

TOTAL COST OF ATTENDING COLLEGE,[1] BY SOURCE OF FUNDS AND PARENTAL INCOME: FALL 1975

Cost of college tuition and fees[2]	Parental income													
	Total		0–$6,000		$6,001–$10,000		$10,001–$15,000		$15,001–$20,000		$20,001–$30,000		$30,000 or more	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Total:														
Total cost[3]	$2,731	100.0	$2,369	100.0	$2,414	100.0	$2,459	100.0	$2,617	100.0	$2,902	100.0	$3,521	100.0
Grant aid[4]	513	18.8	1,205	50.9	962	39.0	580	23.6	388	14.8	253	8.7	141	4.0
Family resources[5]	1,524	55.8	525	22.2	733	30.4	1,115	45.3	1,459	55.8	1,990	68.6	2,920	82.9
Grant aid plus family resources	2,037	74.6	1,730	73.0	1,695	70.2	1,695	68.9	1,847	70.6	2,243	77.3	3,061	86.9
Net price[6]	694	25.4	639	27.0	719	29.8	764	31.1	770	29.4	659	22.7	460	13.1
0–$1,500:														
Total cost[3]	2,353	100.0	2,123	100.0	2,143	100.0	2,164	100.0	2,294	100.0	2,527	100.0	2,938	100.0
Grant aid[4]	430	18.3	1,078	50.8	825	53.4	446	20.6	267	11.6	267	7.0	124	4.2
Family resources[5]	1,325	56.3	496	23.4	699	32.6	1,055	49.2	1,362	59.4	1,781	70.5	2,377	80.9
Grant aid plus family resources	1,755	74.6	1,574	73.4	1,574	71.1	1,501	69.8	1,629	71.0	1,957	77.4	2,501	85.1
Net price[6]	598	25.4	549	25.9	619	28.9	663	30.6	655	29.0	570	22.6	437	14.9
$1,501–$2,000:														
Total cost[3]	3,646	100.0	3,335	100.0	3,444	100.0	3,582	100.0	3,627	100.0	3,774	100.0	3,960	100.0
Grant aid[4]	889	24.4	1,779	53.3	1,540	44.7	1,128	31.5	796	21.9	410	10.9	188	4.7
Family resources[5]	1,718	47.1	564	16.9	763	22.6	1,217	34.0	1,618	44.6	2,300	60.9	3,247	82.0
Grant aid plus family resources	2,607	71.5	2,343	70.3	2,303	67.3	2,345	65.5	2,414	66.6	2,710	71.8	3,435	86.7
Net price[6]	1,039	28.5	984	29.8	1,140	33.1	1,237	34.5	1,213	33.4	1,064	28.2	525	18.3
$2,001 to $2,500:														
Total cost[3]	4,416	100.0	4,153	100.0	4,168	100.0	4,253	100.0	4,245	100.0	4,425	100.0	4,697	100.0
Grant aid[4]	932	21.1	2,118	51.0	1,885	45.2	1,377	32.4	930	23.1	611	13.3	150	3.2
Family resources[5]	2,437	55.2	849	20.4	1,045	25.1	1,567	36.8	2,039	48.0	2,938	66.4	4,045	86.1
Grant aid plus family resources	3,369	76.3	2,967	71.4	2,930	70.3	2,944	69.2	3,019	71.1	3,549	80.2	4,196	89.8
Net price[6]	1,047	23.7	1,186	38.6	1,238	29.7	1,309	30.8	1,226	38.9	876	19.8	501	10.7
$2,501 to $3,000:														
Total cost[3]	4,925	100.0	4,424	100.0	4,471	100.0	4,595	100.0	4,873	100.0	5,097	100.0	5,180	100.0
Grant aid[4]	837	17.0	2,141	48.4	1,821	40.7	1,456	31.7	1,161	23.8	695	13.6	184	3.6
Family resources[5]	3,110	63.2	1,041	23.5	1,192	26.7	1,767	38.5	2,350	48.2	3,368	66.1	4,450	86.7
Grant aid plus family resources	3,947	80.1	3,182	71.9	3,013	69.6	3,223	70.1	3,511	72.0	4,063	79.7	4,624	90.3
Net price[6]	978	19.9	1,242	28.1	1,358	30.4	1,372	29.9	1,367	28.0	1,034	20.3	406	9.7
$3,001 to $4,000:														
Total cost[3]	5,325	100.0	4,959	100.0	5,029	100.0	5,212	100.0	5,395	100.0	5,535	100.0	5,333	100.0
Grant aid[4]	964	18.1	2,589	52.2	2,396	47.6	1,906	35.6	1,473	27.3	756	13.7	194	3.6
Family resources[5]	3,290	61.8	883	17.8	1,074	21.4	1,824	35.0	2,356	43.7	3,523	63.6	4,553	85.4
Grant aid plus family resources	4,254	80.0	3,472	70.0	3,470	69.0	3,730	71.6	3,829	71.0	4,279	77.3	4,757	89.2
Net price[6]	1,071	20.0	1,467	30.0	1,559	31.0	1,482	28.4	1,566	29.0	1,256	22.7	576	10.3

[1] For 1st-time full-time students.
[2] Costs of college tuition and fees are from National Center for Education Statistics, Higher Education General Information Survey.
[3] Total is the sum of all student expenses. All amounts listed are in dollars.
[4] Grant aid is composed of BEOG, SECG, State and local and private scholarships, veterans benefits, and social security dependents benefits.
[5] Family resources are the sum of parents' contribution, spouses' contribution, and savings.
[6] Net price is total expenses minus the sum of grant aid and family resources.

Note: Details may not add to totals because of rounding.

Source: U.S. Department of Health, Education, and Welfare, Office of Education, "Annual Evaluation Report on Programs Administered by the U.S. Office of Education," preliminary data.

[From News Release, National Council of Senior Citizens, Washington, D.C., January 25, 1979]

WASHINGTON, D.C.—SOS—Save Our Security—SOS (S.O.S.) an organization to fight the Administration's drastic Social Security cuts called for in the 1980 Budget request to Congress, was launched here today at the Capital Hilton Hotel.

The organization, made up of aging, political, religious, labor, educational disabled and women's groups are all concerned with the plight of the elderly and handicapped who will suffer as a result of the cuts. They announced their intention of taking the fight against the Carter budget cuts to the Congress in the coming weeks.

"We are against the budget cuts because of the intense suffering they will cause the aged and handicapped," said Executive Director William R. Hutton of the National Council of Senior Citizens, one of the founding organizations.

"We do not consider that Social Security should be used by the Administration to meet its short-term budgetary concerns. Social Security is a trust between the people who contribute their money over the years to prepare for the later years and in case of personal disasters. It must bot ne tampered with.

"It is not something to be used to serve short-term budgetary, economic or fiscal goals."

Speakers at the conference announcing the new group included: Wilbur Cohen, former Secretary of Health, Education and Welfare; Lane Kirkland, Secretary-Treasurer of the AFL–CIO; President Douglas Fraser of the United Automobile Workers; Robert M. Ball, former U.S. Commissioner of Social Security; Archbishop Ignatius Strecker, Board member of the National Conference of Catholic Charities; David C. Crowley, Chairman pro tem of the Ad Hoc Leadership Council of Aging Organizations; Elizabeth Wickenden, Consultant on Social Policy, Project on Social Security for Families, Children and Youth; Aaron Henry, President, National Caucus on the Black Aging, and Ms. Arlie Scott, Vice President, Action, National Organization of Women.

Cohen branded the cuts as "immoral," saying that "it is immoral to break a promise based upon a contributory social compact.

"If Congress repeals a student benefit under Social Security, it will set a precedent which could repeal a retired person's benefits.

"The coalition will continue to oppose these unwarranted and unjustified changes in Social Security."

Ball said he was "very much disturbed" by the Social Security cuts.

He added: "The Budget is no place to decide Social Security policy. There seems to be no recognition on the part of the people now in charge of Social Security, that it is wrong to casually propose reductions in the level of benefit protection that people have worked for and paid toward.

"Social Security is not a general revenue program of government grants; it is a social insurance program with benefits based on past earnings and contributions.

"Such proposals as reducing someone's benefits who is about to retire from $122 to seven or eight dollars a month (the result of dropping the minimum benefit) or taking away the right of a 14- or 15-year-old orphan to get benefits if they attend college, or telling people that from now on they will not get the death benefit that they have been told over and over again they were entitled to, should make everyone who has been relying on government promises very uneasy.

"If you can change the rules in the middle of the game like this—without long-range transition provisions and the protection of existing rights—what is to protect this or another administration later proposing even more horrendous cuts."

Kirkland said that "every American worker has a personal stake in the Social Security system. Workers have paid their share in the full expectation of an earned right to Social Security protection.

"Now that personal stake and right is in jeopardy because of administration proposals to cut back on benefits.

"Congress has made clear its pledge to the American people that the Social Security commitment will be honored. Though the Administration proposes to impair that commitment, we are sure the Congress will not. We intend to exert every effort to achieve that result.

"But Social Security is more than retirement or pensions. It provides a guaranteed income for the spouse and children when a younger worker dies and the same sort of income in the event of his or her total disability. These safeguards are not for those retired, but for those still at work.

"These workers have paid contributions during their working lives, confident of receiving specified benefits. It would be a breach to deprive them of these benefits. Nothing would do more to shatter the confidence of the American people than the Social Security program.

"The AFL–CIO intends to join with other groups, many of whom are presented here today, not only to vigorously fight against these proposals but to improve the law as well, for American workers know there is no better buy than the Social Security."

Fraser told the Conference: "Our principle objection to the cuts is that they weaken the concept of earned benefits and purpose to substitute means test welfare benefits in their place.

"The benefit cuts are not short-range changes, they are basic and would alter important features of social security for many years to come.

"The administration's proposals are objectionable because they would require alteration in collective bargaining agreements and transfer to the private sector costs now borne by the public sector.

"Archbishop Strecker called the cuts "unreasonable," and added that "these proposals are being made in advance of the completion of many studies underway and many are proposed to reduce the federal budget."

He added: "The entitlements of the Social Security Act are our nation's way to fulfill the requirements of justice to those on whom almost all of us have been dependent, and those who are dependent on us because their marriage partners have died or became disabled."

Mr. Gibbons. Thank you

This concludes our hearings on this subject.

The record will remain open until the committee staff is satisfied that all have had an opportunity to complete answering questions and making corrections that are necessary.

Thank you very much.

[Whereupon, at 12:44 p.m., the hearing was adjourned.]

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